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Recent Developments in Patent Law

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I. Introduction

This article reviews patent decisions reported in the Bureau of National Affairs' *United States Patent Quarterly* from March through August 1996. While this article is not intended to be a comprehensive reporting of all patent cases issued during the relevant time period, it does cover significant cases decided by the Court of Appeals for the Federal Circuit and the *Markman v. Westview Instruments, Inc.*¹ decision by the United States Supreme Court. While the authors will attempt to give an unbiased reporting of the recent developments, any comment on cases necessarily involves making a determination as to what is significant or insignificant.

¹ 116 S. Ct. 1384, 38 U.S.P.Q.2d (BNA) 1461 (1996).

II. Supreme Court Cases

A. Decided: The Effect of *Markman v. Westview Instruments, Inc.* on Claim Interpretation—A Matter of Law for the Judge, Not the Jury

1. Significant Decision

The Patent Bar has long awaited the Supreme Court's ruling in *Markman v. Westview Instruments, Inc.* This is probably the most significant patent decision since *Graham v. John Deere*² because it reduces the jury's role in patent infringement cases. The *Markman* decision may, in the future, counteract two trends that have developed in patent law since the creation of the Court of Appeals for the Federal Circuit in 1982. First, there is the increasing trend to request jury trials in patent cases. Second, there is a trend for juries to give patent owners large damage awards. The *Markman* decision will likely affect both of these trends.

2. Background Facts

Markman owned the patent to a system that tracks clothing through the dry cleaning process using a keyboard and data processor to generate transaction records, including a bar code readable by optic detectors.³ The disputed claim specifically claimed that Markman's system could "maintain an *inventory* total" and "detect and localize spurious additions to *inventory*."⁴ After expert testimony, the jury found that Westview's product infringed Markman's patent.⁵ Nonetheless, the district court judge directed a verdict for Westview, stating that the Westview system could not track "inventory."⁶ In other words, the district court judge reversed the jury's finding and substituted his interpretation of the claim for that of the jury's. The Federal Circuit affirmed and specifically held that claim interpretation was exclusively the province of the judge, not the jury.⁷

3. Affirmed by the Supreme Court

While affirming the decision of the lower courts, the Supreme Court reconfirmed the right to a jury trial in a patent case. However, after reviewing cases

² 383 U.S. 1, 148 U.S.P.Q. (BNA) 459 (1966) (interpreting 35 U.S.C. § 103 of the 1952 Patent Act and the standard of non-obviousness).

³ *Markman*, 116 S. Ct. at 1386, 38 U.S.P.Q.2d at 1462.

⁴ *Id.* (emphasis added).

⁵ *Id.*

⁶ *Id.*

⁷ *Id.* at 1388, 38 U.S.P.Q.2d at 1464.

going back to the 18th century, the Supreme Court held that “the construction of a patent, including terms of art within its claim, is exclusively within the province of the [judge].”⁸ After the judge has interpreted the claim, the jury will determine infringement.⁹ That is, if the terms of art used in a claim are to be construed, the judge will give his construction of the claim to the jury and the jury will then determine infringement. In *Markman*, the judge gave his interpretation of the term “inventory.”¹⁰ In future cases, after the judge has given his interpretation of the claims, one of two things will likely happen: (1) a summary judgment of infringement or non-infringement will be entered, or (2) the issue of infringement will be submitted to the jury.

4. Practical Effect of *Markman*

Before *Markman*, some judges preferred to submit everything to the jury with proper instructions and then enter a judgment in accordance with the jury verdict, unless there was clear error. Other judges preferred making determinations themselves and submitting only narrow issues (if there was anything left to be determined) to the jury. The authors submit that *Markman* will not significantly change these district court judges’ practices. If a judge wants to continue to submit a case to the jury, then all she needs to do is give the jury a broad, general interpretation of the claim and then instruct the jury to determine, using the interpretation given, whether or not there has been infringement. It will be difficult for the Federal Circuit to reverse a case submitted to a jury in this manner.

On the other hand, a judge could give a detailed, explicit interpretation of a claim so that the jury will come to a conclusion that coincides with the judge’s if the jury follows the judge’s claim interpretation. The judge’s interpretation may leave little or no room for the jury to decide other than one particular way. In such a case, the Federal Circuit could easily overrule the trial court because the Federal Circuit can apply its own interpretation to the claims that may be different from the trial judge’s.

Although the hypotheticals mentioned above represent extreme examples of judicial decision-making, trial judges will more likely tend to give a broad interpretation to the claims while remaining as specific as necessary to comply with what they believe to be the dictates of the *Markman* decision. Until case law is more developed, the *Markman* decision will probably be applied outside the patent arena whenever a judge wants to decide an issue and not submit it to the jury. In one case, a judge has already applied the *Markman* decision in a copyright infringement case

⁸ *Id.* at 1387, 38 U.S.P.Q.2d at 1462.

⁹ *Id.*, 38 U.S.P.Q.2d at 1463.

¹⁰ *Id.*

when applying the “abstraction and filtration” parts of the test to determine copyright infringement.¹¹

B. Pending: How will *Hilton Davis Chemical Co. v. Warner-Jenkinson Co., Inc.*¹² Affect the Application of the Doctrine of Equivalents in Infringement Cases?

1. Background

The Federal Circuit in *Hilton Davis* made some significant decisions under the “doctrine of equivalents.” First, for patent infringement to come under the doctrine of equivalents, there must be proof of “insubstantial differences” between the claimed invention and the accused product or process.¹³ Second, infringement under the doctrine of equivalents is a fact issue to be submitted to the jury with proper instructions.¹⁴ Third, the trial judge must apply the doctrine of equivalents if there is no literal infringement upon proof of insubstantial differences.¹⁵

2. Prediction

The Supreme Court will probably affirm the Federal Circuit’s decision in *Hilton Davis*. While the Supreme Court may further define the tripartite test of *Graver Tank & Mfg. Co., Inc. v. Linde Air Prods. Co.*,¹⁶ the doctrine of equivalents should remain a part of our case law in determining patent infringement. Where the Supreme Court is most likely to change some of the Federal Circuit’s decision is in the submission to the jury. With the Supreme Court’s tendency to restrict the right to a jury trial, there may be some limitation on the use of the jury in determining infringement under the doctrine of equivalents.

¹¹ *Harbor Software, Inc. v. Applied Sys., Inc.*, 925 F. Supp. 1042, 1045 (S.D.N.Y. 1996) (analogizing a patent claims determination of the scope of the patent with filtrations determination of the scope of copyright).

¹² 62 F.3d 1512, 35 U.S.P.Q.2d (BNA) 1641 (Fed. Cir. 1995) (en banc), cert. granted, 116 S. Ct. 1014 (1996).

¹³ *Id.* at 1521, 35 U.S.P.Q.2d at 1645.

¹⁴ *Id.* at 1522, 35 U.S.P.Q.2d at 1645. However, this seems to be inconsistent with the *Markman* decision.

¹⁵ *Id.*

¹⁶ 339 U.S. 605, 85 U.S.P.Q. (BNA) 328 (1950) (setting forth the function-way-result tripartite test for finding infringement under the doctrine of equivalents).

III. Patent Prosecution

A. General Prosecution Issues

1. Best Mode: *Zygo Corp. v. Wyko Corp.*¹⁷

The issue before the court in *Zygo* was whether the inventors' failure to disclose the invention's commercial embodiment violates the requirement to disclose the best mode as stated in 35 U.S.C. § 112, ¶ 1. Prior to filing a patent application on an interferometer, the inventors of the device made a commercial embodiment that included a box-like enclosure for the interferometer.¹⁸ However, when the patent application was filed, only the interferometer, without any enclosure, was disclosed and claimed.¹⁹ After being sued by *Zygo* for patent infringement, *Wyko* raised the defense that the patent at issue was invalid due to *Zygo*'s failure to disclose the encased interferometer as the best mode contemplated by the inventors for carrying out their invention.²⁰

The Federal Circuit held that the district court's finding of no violation of the best mode requirement was not clearly erroneous.²¹ The court based its decision on established precedent that an analysis of a section 112 challenge is limited to what is actually claimed in the patent and not on what the manufacturer under the patent decides to make and sell commercially.²² Important to the court's finding were: (1) the patent claimed an interferometer system having a number of applications, (2) the best mode for carrying out that claimed invention was disclosed in the patent, and (3) interferometers are used commercially without any enclosure.²³ In short, because the claimed invention did not require any type of enclosure, the failure to disclose the packaging did not violate section 112.²⁴

¹⁷ 79 F.3d 1563, 38 U.S.P.Q.2d (BNA) 1281 (Fed. Cir. 1996).

¹⁸ *Id.* at 1567, 38 U.S.P.Q.2d at 1283.

¹⁹ *Id.*

²⁰ *Id.*, 38 U.S.P.Q.2d at 1283-84.

²¹ *Id.* at 1568, 38 U.S.P.Q.2d at 1284.

²² *Id.* at 1567, 38 U.S.P.Q.2d at 1284 (citing *Engel Indus., v. Lockformer Co.*, 946 F.2d 1528, 20 U.S.P.Q.2d (BNA) 1300 (Fed. Cir. 1991) and *Chemcast Corp. v. Arco Indus. Corp.* 913 F.2d 923, 16 U.S.P.Q.2d 1033 (Fed. Cir. 1990)); *See also* 35 U.S.C. § 112 (1994).

²³ *Id.*

²⁴ *Id.*

2. Inequitable Conduct

a) *Refac International, Ltd. v. Lotus Development Corp.*²⁵

The issue of inadequate disclosure under 35 U.S.C. § 112, ¶ 1, was also an issue in the *Refac* case. The patent examiner had issued a final rejection in an application claiming a method of converting a software source code program to object code on the basis that the application did not contain sufficient disclosure to enable a person skilled in the programming art to make and use the claimed invention.²⁶ The final rejection was issued after a Rule 132 affidavit had been filed by one of the inventors claiming that the application contained a sufficient disclosure.²⁷ The examiner issued the final rejection in spite of this affidavit, reasoning that the initial rejection could not be overcome by an affidavit by the applicant.²⁸ After the final rejection, the patent attorney for the inventors recommended that affidavits from unrelated third parties be filed to support the applicants' claim that the disclosure was enabling.²⁹ Three such affidavits were filed and the examiner then issued a notice of allowance.³⁰

However, in the ensuing patent infringement lawsuit, it was discovered that all three of the supposedly disinterested parties filing affidavits during the prosecution of the patent had had previous business relationships with the inventors.³¹ The defense of inequitable conduct was raised by the defendant and was based on the applicants' failure to disclose to the United States Patent and Trademark Office (PTO) the affiants' prior relationship with the inventors in an attempt to mislead the PTO into granting the patent.³² The Federal Circuit upheld the district court's finding that one of the three affidavits submitted resulted in inequitable conduct for failing to disclose material information with an intent to mislead the PTO.³³ In considering the affidavits and reversing the final rejection ruling, the examiner found as being most material the affiant's failure to disclose his prior knowledge of internal details and understanding of the program described in the patent, and his personal instruction from one of the inventors in the internal logic of the program (including examination of internal source code listings, flow charts, and other

²⁵ 81 F.3d 1576, 38 U.S.P.Q.2d (BNA) 1665 (Fed. Cir. 1996).

²⁶ *Id.* at 1578, 38 U.S.P.Q.2d at 1666. See 35 U.S.C. § 112 ¶ 1 (1994).

²⁷ *Id.*; See 37 C.F.R. § 1.132 (1995) ("Affidavits or Declarations Traversing Grounds of Rejection").

²⁸ *Id.*

²⁹ *Id.*, 38 U.S.P.Q.2d at 1666-67.

³⁰ *Id.*, 38 U.S.P.Q.2d at 1667.

³¹ *Id.* at 1579, 38 U.S.P.Q.2d at 1667.

³² *Id.*

³³ *Id.* at 1581, 38 U.S.P.Q.2d at 1672.

written explanatory materials).³⁴ It is important to point out that the inventors did not disclose—even to their own patent attorney—their prior relationship with the affiants.³⁵ This aided the court in making its decision that the affidavits were submitted with an intent to deceive the PTO.³⁶

b) *Nordberg, Inc. v. Telsmith, Inc.*³⁷

In upholding a finding of no inequitable conduct in *Nordberg*, the Federal Circuit reiterated the test for the “failure of disclosure” form of inequitable conduct; namely that the intent element is based on the applicant’s actual knowledge of the existence of the prior art or information.³⁸ In *Nordberg*, defendant Telsmith counterclaimed in a patent infringement suit with the defense that the patent at issue was unenforceable due to inequitable conduct.³⁹ The claims in issue were found invalid for obviousness over the prior art, which included another patent owned by Nordberg.⁴⁰ Telsmith’s inequitable conduct argument was based on its claim that Nordberg knew or should have known of the existence of its own invalidating patent.⁴¹

The Federal Circuit, agreeing with the district court, found that the Nordberg employees under a duty of disclosure were unaware of the invalidating patent during the prosecution of the patent at issue.⁴² Thus, since Nordberg did not have actual knowledge of the invalidating patent and inequitable conduct, the requisite element of intent to mislead the PTO could not be found.⁴³

B. Patent Term Extension: *Merck & Co., Inc. v. Kessler*⁴⁴

All patent attorneys are familiar with the new method of calculating the term of a patent under 35 U.S.C. § 154 as being the longer of either (a) 17 years from the date of issue or (b) 20 years from the date of filing, whichever is longer.⁴⁵ This

³⁴ *Id.* at 1580, 38 U.S.P.Q.2d at 1668.

³⁵ *Id.* at 1582, 38 U.S.P.Q.2d at 1670.

³⁶ *Id.*

³⁷ 82 F.3d 394, 38 U.S.P.Q.2d (BNA) 1593 (Fed. Cir. 1996).

³⁸ *Id.* at 397, 38 U.S.P.Q.2d at 1595.

³⁹ *Id.* at 396, 38 U.S.P.Q.2d at 1594.

⁴⁰ *Id.*

⁴¹ *Id.*, 38 U.S.P.Q.2d at 1595.

⁴² *Id.* at 397, 38 U.S.P.Q.2d at 1595.

⁴³ *Id.*

⁴⁴ 80 F.3d 1543, 38 U.S.P.Q.2d (BNA) 1347 (Fed. Cir. 1996).

⁴⁵ 35 U.S.C. § 154(c) (1994).

alternative method of calculating a term of a patent resulted from the Uruguay Round Agreements Act (URAA).⁴⁶ However, fewer patent attorneys are aware of the Hatch-Waxman Act, which can give a two year restoration extension to the manufacturer of a generic drug.⁴⁷ The Food and Drug Administration and the Commissioner of Patents and Trademarks calculated the 20 years from (a) the date of the filing of the patent application plus (b) the two year restoration.⁴⁸ This alternative method of calculating the term of the patent was to be implemented on patents or patent applications in force on June 8, 1995.⁴⁹

In a split-the-blanket type of approach, the Federal Circuit concluded that pre-June 8, 1995 patents are entitled to add on the restoration extension to the 20 years from filing date regardless of when the restoration extension is granted, except for those patents kept in force on June 8, 1995 only because of the restoration term.⁵⁰

C. Reexamination Revisited: *In re Recreative Technologies Corp.*;⁵¹ *In re Continental General Tire, Inc.*;⁵² and *Emerson Electric Co. v. Davoil, Inc.*⁵³

While reexamination is a useful tool to be used by the patent practitioner, it is often abused and misused by the PTO and the courts. When the patentee filed a reexamination application in *In re Recreative Technologies Corp.*, the examiner and subsequently the Board of Patent Appeals and Interferences applied a reference that had been cited and overcome in the prior examination.⁵⁴ No new reference was used in the rejection.⁵⁵ The Commissioner argued that this was permissible under the Manual of Patent Examiner Procedure (MPEP) section 2258, which allows the scope of reexamination to include "issues previously addressed by the office."⁵⁶ In its holding that section 2258 exceeded the statutory authority, the court reasoned that

⁴⁶ *Id.* The 1994 revision to 35 U.S.C. § 154 went into effect six months after the URAA was enacted. The Act was enacted Dec. 8, 1994; and the revision went into effect June 8, 1995. 35 U.S.C.A. § 154 (1996).

⁴⁷ 35 U.S.C. § 156(a)(4) (1994).

⁴⁸ *Merck & Co.*, 80 F.3d at 1546, 38 U.S.P.Q.2d at 1348.

⁴⁹ *Id.*

⁵⁰ *Id.* at 1550, 38 U.S.P.Q.2d at 1352.

⁵¹ 83 F.3d 1394, 38 U.S.P.Q.2d (BNA) 1776 (Fed. Cir. 1996).

⁵² 81 F.3d 1089, 38 U.S.P.Q.2d (BNA) 1365 (Fed. Cir. 1996).

⁵³ 88 F.3d 1051, 39 U.S.P.Q.2d (BNA) 1474 (Fed. Cir. 1996).

⁵⁴ *Recreative Techs.*, 83 F.3d at 1398, 38 U.S.P.Q.2d at 1779.

⁵⁵ *Id.*

⁵⁶ *Id.* at 1397, 38 U.S.P.Q.2d at 1778; *See* MPEP § 2258 "Scope of Reexamination" (5th Ed., 16th Rev. 1994) (referring to 37 C.F.R. § 1.552 (1994)).

reexamination should not have been granted at the initial stage when no new grounds for rejection were raised.⁵⁷

The district judge's hands were slapped when he exceeded his authority in *In re Continental General Tire, Inc.* because he ordered the allegedly infringing defendant to file a request for reexamination on plaintiff's patent.⁵⁸ In reversing the district court's decision, the Federal Circuit stated that while 35 U.S.C. § 302 permits any party to file a request for reexamination, it does not empower the district court to *compel* a party to file such a request if that party does not elect to do so.⁵⁹ Since neither party chose to request reexamination, the matter should have ended.

In a slightly different twist on reexamination, the court in *Emerson Electric* ordered a reexamination that was requested, but the court required the patentee not only to submit his arguments to the PTO, but also the arguments of the opposing side.⁶⁰ The patentee challenged the portion of the order requiring him to submit documents prepared by the alleged infringer, stating that the documents the patentee elects to file in his reexamination proceeding are at the discretion of the patentee.⁶¹ Citing *In re Continental General Tire, Inc.*, the Federal Circuit held that the determination of what documents to file in a reexamination proceeding is at the sole discretion of the party requesting reexamination.⁶² The Federal Circuit further held that it was improper for the district court to condition the stay on whether the patentee included the infringer's documents in the reexamination request.⁶³

D. Priority: *Schendel v. Curtis*⁶⁴

The issue before the court in *Schendel* was whether the Board of Patent Appeals and Interferences (B.P.A.I.) erred in holding that Schendel was not entitled to a judgment of priority against Curtis based on an alleged actual reduction to practice of the invention before Curtis's effective filing date.⁶⁵ In order to establish priority, Schendel was required to prove that he prepared a fusion protein meeting every limitation of the interference count.⁶⁶ Before the interference was declared,

⁵⁷ *Id.* at 1398, 38 U.S.P.Q.2d at 1779.

⁵⁸ *Continental Gen. Tire*, 81 F.3d at 1091, 38 U.S.P.Q.2d at 1367.

⁵⁹ *Id.* at 1092, 38 U.S.P.Q.2d at 1368.

⁶⁰ *Emerson Elec.*, 88 F.3d at 1052, 39 U.S.P.Q.2d at 1475.

⁶¹ *Id.* at 1054, 39 U.S.P.Q.2d at 1476.

⁶² *Id.*

⁶³ *Id.*

⁶⁴ 83 F.3d 1399, 38 U.S.P.Q.2d (BNA) 1743 (Fed. Cir. 1996).

⁶⁵ *Id.* at 1402, 38 U.S.P.Q.2d at 1746.

⁶⁶ *Id.*

Schendel submitted six declarations describing acts that he and his colleagues allegedly performed before Curtis's effective filing date.⁶⁷ These acts supported his actual reduction to practice of the fusion protein.⁶⁸

After the interference was declared, the B.P.A.I. granted summary judgment against Schendel due to insufficient corroboration of his reduction to practice, and the decision was appealed.⁶⁹ The Federal Circuit upheld the B.P.A.I.'s summary judgment ruling because Schendel did not provide direct evidence showing that he had prepared the specific fusion protein having the structure required by the count.⁷⁰

Although Schendel described the process he had supposedly used to create the fusion protein, his laboratory notebook entries did not show that the complete plasmid was actually constructed, nor that its structure was identified.⁷¹ Most importantly, Schendel provided no data showing that what he obtained was the reported fusion protein.⁷²

E. Experimental Use Requires Inventor Control Over Uses

1. *Baxter International, Inc. v. Cobe Laboratories, Inc.*⁷³

The Federal Circuit has decided two recent cases in which it reiterated the importance of the patentee's control over barring acts later claimed as experimental use. In *Baxter*, the patent at issue disclosed a sealless centrifuge for separating blood into its components.⁷⁴ In a subsequent infringement lawsuit over the patent, it was discovered that another physician, Suaudeau, not having any connection with the inventor of the patent in issue, had reduced to practice a sealless centrifuge designed by a colleague.⁷⁵ Suaudeau created the centrifuge in an effort to avoid damage to blood platelets caused by rotating seals in the centrifuge. The Federal Circuit agreed with the district court that Suaudeau's independent reduction to practice of a blood centrifuge having all of the elements claimed in the patent prior to the critical date invalidated the patent under 35 U.S.C. § 102(b).⁷⁶ In reaching the conclusion that

⁶⁷ *Id.* at 1401, 38 U.S.P.Q.2d at 1745.

⁶⁸ *Id.* at 1402, 38 U.S.P.Q.2d 1745.

⁶⁹ *Id.*

⁷⁰ *Id.* at 1402-03, 38 U.S.P.Q.2d at 1746.

⁷¹ *Id.* at 1403, 38 U.S.P.Q.2d 1746.

⁷² *Id.*

⁷³ 88 F.3d 1054, 39 U.S.P.Q.2d (BNA) 1437 (Fed. Cir. 1996).

⁷⁴ *Id.* at 1056, 39 U.S.P.Q.2d at 1438.

⁷⁵ *Id.*

⁷⁶ *Id.* at 1060, 39 U.S.P.Q.2d at 1442; 35 U.S.C. § 102(b) (1994).

Suaudeau's use was not experimental under the patent laws, the court pointed to the inventor's total lack of direction or control over Suaudeau's use and testing of the invention.⁷⁷

2. *Lough v. Brunswick Corp.*⁷⁸

The issue in *Lough* was also whether an experimental use claimed by the inventor avoided invalidity of the patent. Lough brought an action against Brunswick for patent infringement of his liquid seal for marine stern-drive gear shift shafts.⁷⁹ After the jury found infringement, Brunswick filed a motion for judgment as a matter of law on the ground of invalidity of the patent due to public use before the critical date.⁸⁰ The district court denied the motion and entered judgment against Brunswick.⁸¹ On appeal, the Federal Circuit held that the totality of circumstances must be considered when evaluating experimental use, and reversed the district court's denial of a judgment as a matter of law for invalidity.⁸² The objective indicia of experimentation include the number of prototypes and duration of testing, whether records or progress reports were made concerning the testing, the existence of a secrecy agreement between the patentee and the party performing the testing, whether the patentee received compensation for the use of the invention, and the extent of control the inventor maintained over the testing.⁸³ According to the court, the most critical of these factors is control, because if the inventor has no control over the experiment and does not inquire about the testing or receive reports concerning the results, he is not experimenting.⁸⁴ The fact that Lough did not keep any records of the alleged experiments supported the court's decision in this regard.⁸⁵

⁷⁷ *Id.*

⁷⁸ 86 F.3d 1113, 39 U.S.P.Q.2d (BNA) 1100 (Fed. Cir. 1996).

⁷⁹ *Id.* at 1115, 39 U.S.P.Q.2d at 1101.

⁸⁰ *Id.* at 1118, 39 U.S.P.Q.2d at 1103.

⁸¹ *Id.*

⁸² *Id.* at 1120, 39 U.S.P.Q.2d at 1105.

⁸³ *Id.*

⁸⁴ *Id.*

⁸⁵ *Id.* at 1121, 39 U.S.P.Q.2d at 1105-06.

IV. Litigation of Patents

A. Damages: *Mahurkar v. C.R. Bard, Inc.*;⁸⁶ *Jurgens v. CBK Ltd.*;⁸⁷ and *Litton Systems, Inc. v. Honeywell, Inc.*⁸⁸

While some attorneys like to add a “kicker” to their fee when they have successfully concluded a trial with a substantial recovery for the client, it is unusual for the judge to add a kicker based on a reasonable royalty as was done in *Mahurkar*.

After awarding a reasonable royalty of over 25%, the trial court added a “Panduit kicker.”⁸⁹ Although the Federal Circuit affirmed the reasonable royalty, the Panduit kicker was reversed.⁹⁰ The appeals court went on to state that while damages can be increased and attorneys fees awarded, it requires clear and convincing proof of willfulness and exceptionality to do so.⁹¹

On the flip side of the coin, once the jury had found that an infringer acted willfully, it necessarily found that the infringer had notice of the patentee’s patent rights and acted in disregard of those rights.⁹² In reversing the district court’s refusal to award increased damages and attorneys fees in *Jurgens*, the Federal Circuit ruled that the district court was without discretion to disregard the jury’s findings and make contrary findings.⁹³ The refusal to award increased damages and attorneys fees was thus vacated as an abuse of discretion and the case was remanded for further proceedings.⁹⁴

In a decision that any contingency fee lawyer would love, the *Litton* jury awarded \$1.2 billion in damages under any of three alternative theories of liability.⁹⁵

However, the judge took away what the jury gave and granted a new trial on damages.⁹⁶ While the Federal Circuit recognized that there was evidence presented

⁸⁶ 79 F.3d 1572, 38 U.S.P.Q.2d (BNA) 1288 (Fed. Cir. 1996).

⁸⁷ 80 F.3d 1566, 38 U.S.P.Q.2d (BNA) 1397 (Fed. Cir. 1996).

⁸⁸ 87 F.3d 1559, 39 U.S.P.Q.2d (BNA) 1321 (Fed. Cir. 1996).

⁸⁹ *Mahurkar*, 79 F.3d at 1580, 38 U.S.P.Q.2d at 1293 (citing *Panduit Corp. v. Stahl Bros. Fibre Works, Inc.*, 575 F.2d 1152, 197 U.S.P.Q. (BNA) 726 (6th Cir. 1978)).

⁹⁰ *Id.* at 1581, 38 U.S.P.Q.2d at 1294.

⁹¹ *Id.*

⁹² *Jurgens*, 80 F.3d 1566, 38 U.S.P.Q.2d 1397 (Fed. Cir. 1996)

⁹³ *Id.* at 1573, 38 U.S.P.Q.2d 1402.

⁹⁴ *Id.*, 38 U.S.P.Q.2d at 1402-03.

⁹⁵ *Litton*, 87 F.3d at 1576, 39 U.S.P.Q.2d at 1324. (The three theories were: patent infringement, interference with contractual relations, and interference with prospective economic advantage.)

⁹⁶ *Id.*, 39 U.S.P.Q.2d at 1325.

that may have been sufficient to support the jury's verdict,⁹⁷ it also recognized that the trial judge has discretionary authority in the granting or denial of a new trial and will only be reversed based on an abuse of discretion.⁹⁸ After reviewing the testimony of Litton's damage expert and concluding that many parts were speculative, the Federal Circuit held that the trial judge did not abuse his discretion.⁹⁹ The Patent Bar waits with eager anticipation to see if Litton can get the \$1.2 billion verdict repeated again!

B. "Materially Changed" Exception to Infringement of Process Patents

1. *Bio-Technology General Corp. v. Genentech, Inc.*¹⁰⁰

The Federal Circuit's *Bio-Technology* decision broadens the scope of infringement under 35 U.S.C. § 271(g) for biological products made by a patented process.¹⁰¹ The plaintiff, Bio-Technology General Corp. (BTG), manufactured human growth hormone (hGH) through recombinant DNA techniques, using a plasmid incorporated into a bacteria, which then expressed insoluble met-hGH in the form of biologically inactive inclusion bodies.¹⁰² As a final step, BTG recovered soluble met-hGH through a purification process and produced biologically active hGH.¹⁰³ BTG planned to import hGH for sale in the United States from its manufacturing site in Israel.¹⁰⁴ BTG filed a declaratory judgment action that it did not infringe two of Genentech's method patents for producing hGH.¹⁰⁵ The Federal Circuit upheld the district court's granting of a preliminary injunction to Genentech, rejecting BTG's argument that the product it imported into the U.S. was "materially changed" so as to fall outside the scope of 35 U.S.C. § 271(g) (making it an act of patent infringement to import, sell, or use in the United States any product made by a process patented in the United States).¹⁰⁶ The court reviewed the process patent claims and found them to include a method for making the product BTG was

⁹⁷ *Id.* at 1576, 39 U.S.P.Q.2d at 1324.

⁹⁸ *Id.* at 1577, 39 U.S.P.Q.2d at 1333.

⁹⁹ *Id.*, 39 U.S.P.Q.2d at 1333-34.

¹⁰⁰ 80 F.3d 1553, 38 U.S.P.Q.2d (BNA) 1321 (Fed. Cir. 1996).

¹⁰¹ *See* 35 U.S.C. § 271(g) (1994) (stating that products made by a patented process in a foreign country and imported into the U.S. infringe the process patent) *and* 35 U.S.C. § 271(g)(1) (making an exception for those products which are materially changed by a subsequent process).

¹⁰² *Id.* at 1556, 38 U.S.P.Q.2d at 1323.

¹⁰³ *Id.*

¹⁰⁴ *Id.*

¹⁰⁵ *Id.* at 1557, 38 U.S.P.Q.2d at 1324.

¹⁰⁶ *Id.* at 1559, 38 U.S.P.Q.2d at 1325-26.

importing.¹⁰⁷ Therefore, the materially changed exception to infringement did not apply, because there was no real difference between the imported product and the product produced by the patented process.¹⁰⁸

2. *Eli Lilly & Co. v. American Cyanamid Co.*¹⁰⁹

Unlike its decision in *Bio-Technology*, the Federal Circuit in this case upheld the finding of non-infringement of a process patent by a product made from the patented process, due to the fact the product had been “materially changed.”¹¹⁰ Lilly sought a preliminary injunction on the grounds that the importation and sale of a generic drug made by American Cyanamid infringed Lilly’s patent for a process for making a related compound.¹¹¹ In affirming the denial of Lilly’s motion for preliminary injunction, the Federal Circuit extensively considered and reviewed the legislative history of the “materially changed” exception to infringement of the Process Patents Amendment Act.¹¹² The Federal Circuit pointed out that its review of the legislative history did not shed much light on the proper construction of the “materially changed” exception.¹¹³ The court went on to instruct courts conducting this analysis to look at the substantiality of the change between the product of the patented process and the product that is being imported.¹¹⁴ In this particular case, the product created by the patented process, and the product actually imported, differed in four important structural respects corresponding to four discrete chemical steps.¹¹⁵ These differences made the changes to the imported product “material” within the meaning of section 271(g)(1).¹¹⁶

C. Doctrine of Equivalents

The doctrine of equivalents remains a particularly active part of infringement litigation. The Federal Circuit has recently considered several cases involving this issue and rendered decisions further clarifying the scope and application of the doctrine.

¹⁰⁷ *Id.* at 1560, 38 U.S.P.Q.2d at 1326.

¹⁰⁸ *Id.*

¹⁰⁹ 82 F.3d 1568, 38 U.S.P.Q.2d (BNA) 1705 (Fed. Cir. 1996).

¹¹⁰ *Id.*, at 1578, 38 U.S.P.Q.2d at 1713.

¹¹¹ *Id.* at 1569-70, 38 U.S.P.Q.2d at 1706.

¹¹² *Id.* at 1570-78, 38 U.S.P.Q.2d at 1707-13.

¹¹³ *Id.*

¹¹⁴ *Id.* at 1573, 38 U.S.P.Q.2d at 1709.

¹¹⁵ *Id.*

¹¹⁶ *Id.*

1. *National Presto Industries Inc. v. West Bend Co.*¹¹⁷

In *National Presto*, Presto sued West Bend for patent infringement of Presto's patent on a device that cuts vegetables into spiral curls.¹¹⁸ The jury did not find literal infringement, but it found that there was infringement under the doctrine of equivalents.¹¹⁹ On appeal, West Bend claimed that the trial court had committed error when conducting its infringement by equivalency analysis by not employing the hypothetical claim analysis of *Wilson Sporting Goods Co. v. David Geoffrey & Assoc.*¹²⁰ In considering this argument on appeal, the Federal Circuit reiterated that the trial court is under no obligation to create a hypothetical claim and determine its hypothetical patentability before the jury can find equivalency.¹²¹ Once the patentee has made a prima facie case of infringement under the doctrine of equivalents, the burden falls on the accused infringer to come forward with evidence to show that the accused device falls within the prior art.¹²² Because West Bend did not offer such evidence, the trial court did not commit error in this regard. The trial court properly examined the factual issues of equivalency, including those of prior art devices and of function, way, and result with respect to the actual, and not a hypothetical, claim.¹²³

The Federal Circuit also directly addressed liability for inducement of patent infringement under 35 U.S.C. § 271(b).¹²⁴ Presto argued that West Bend's activities to flood the market with West Bend's imitation product during the months before the Presto patent issued, when West Bend had knowledge of the impending issuance of Presto's patent, resulted in West Bend actively inducing infringement of the Presto patent after its issuance, in violation of 35 U.S.C. § 271(b).¹²⁵ The Federal Circuit, in deciding this issue for the first time, upheld the district court's ruling that there can never be liability for pre-issuance inducement even when the inducer knew the patent was about to issue and that the patent would be directly infringed by resale and use of the infringer's product.¹²⁶ The Federal Circuit made this ruling as a matter of law and based its decision on the general principal that aiding and abetting

¹¹⁷ 76 F.3d 1185, 37 U.S.P.Q.2d (BNA) 1685 (Fed. Cir. 1996).

¹¹⁸ *Id.* at 1188, 37 U.S.P.Q.2d at 1686.

¹¹⁹ *Id.* at 1189, 37 U.S.P.Q.2d at 1687.

¹²⁰ *Id.* at 1192, 37 U.S.P.Q.2d at 1689. See *Wilson Sporting Goods Co. v. David Geoffrey & Assoc.*, 904 F.2d 677, 14 U.S.P.Q.2d (BNA) 1942 (Fed. Cir. 1990).

¹²¹ *National Presto*, 76 F.3d at 1192, 37 U.S.P.Q.2d at 1689.

¹²² *Id.*

¹²³ *Id.*

¹²⁴ *Id.* at 1194, 37 U.S.P.Q.2d at 1691.

¹²⁵ *Id.*

¹²⁶ *Id.*

the wrongful acts of others cannot be imposed retrospectively to make an act illegal that was not illegal when it was done.¹²⁷ Thus, the general rule is that the inducement of infringement under § 271(b) does not lie when the acts of inducement occurred before there existed a patent to be infringed.¹²⁸

2. *Roton Barrier, Inc. v. Stanley Works*¹²⁹

In another case involving infringement under the doctrine of equivalents, the Federal Circuit restated the requirement that any equivalents analysis must consider the substantial differences between the patented and the accused devices as dictated by *Hilton Davis*.¹³⁰ The plaintiff, Roton Barrier, had sued the defendant for patent infringement on a continuous, pinless hinge having "lateral recesses" located directly across from each other.¹³¹ The infringing product manufactured by Stanley had recesses which were offset from each other.¹³² The Federal Circuit found that the district court had focused its analysis solely on the function of the bearing inserts in the respective hinges and had failed to consider the substantial differences and the effects flowing from those differences between the patented and the allegedly infringing devices.¹³³ The Court also found relevant to its decision the statement by the *Hilton Davis* court that "evidence of copying or designing around may also inform the test for infringement under the doctrine."¹³⁴ In *Roton*, there was undisputed evidence that Stanley was aware of Roton's patent and attempted to design around it. This evidence gave rise to an inference that there was no infringement under the doctrine of equivalents.¹³⁵

3. *Maxwell v. J. Baker, Inc.*¹³⁶

The issue in *Maxwell* was whether the well established rule that any subject matter disclosed in a patent application, but not claimed in the application, is dedicated to the public and thus prevents a finding of infringement under the

¹²⁷ *Id.* at 1196, 37 U.S.P.Q.2d at 1693.

¹²⁸ *Id.*

¹²⁹ 79 F.3d 1112, 37 U.S.P.Q.2d (BNA) 1816 (Fed. Cir. 1996).

¹³⁰ *Id.* at 1125, 37 U.S.P.Q.2d at 1826. See *Hilton Davis*, 62 F.3d at 1512, 35 U.S.P.Q.2d at 1641.

¹³¹ *Roton Barrier*, 79 F.3d 1125, 37 U.S.P.Q.2d at 1826.

¹³² *Id.*

¹³³ *Id.* at 1126, 37 U.S.P.Q.2d at 1827.

¹³⁴ *Id.* (citing *Hilton Davis*, 62 F.3d at 1522, 35 U.S.P.Q.2d at 1648).

¹³⁵ *Roton Barrier*, 79 F.3d 1126, 37 U.S.P.Q.2d at 1827.

¹³⁶ 86 F.3d 1098, 39 U.S.P.Q.2d (BNA) 1001 (Fed. Cir. 1996).

doctrine of equivalents.¹³⁷ In overruling the trial court's finding of infringement, the Federal Circuit stated that the well established rule laid out in *Unique Concepts Inc. v. Brown*¹³⁸ applies not only to prohibit a finding of literal infringement when the accused infringer creates or practices disclosed but unclaimed subject matter, but also applies to prevent a finding of infringement under the doctrine of equivalents.¹³⁹

The policy behind this rule is that a patentee may not narrowly claim his invention and then argue that because the specification discloses equivalents, the doctrine of equivalents should permit a finding of infringement.¹⁴⁰ Such a construction would only encourage patent applicants to present a broad disclosure in the patent application while filing narrow claims. Such a practice, if allowed, would violate 35 U.S.C. § 112, which requires the patent applicant to point out particularly, and to claim distinctly, the subject matter regarded as the invention.¹⁴¹ Thus, any subject matter disclosed but not claimed in the specification is dedicated to the public.¹⁴²

D. Prevailing Party Under Federal Rule of Civil Procedure 54(d): *Manildra Milling Corp. v. Ogilvie Mills, Inc.*¹⁴³

The issue in this case was whether the district court properly decided that Manildra was the prevailing party in the case and thus eligible for an award of costs.¹⁴⁴ Manildra had sued Ogilvie seeking a declaratory judgment that Ogilvie's patents were invalid, as well as damages of Ogilvie's violations of the Lanham Act, Kansas common law, and federal antitrust laws.¹⁴⁵ Ogilvie responded by filing a counterclaim for patent infringement.¹⁴⁶ In the ensuing lawsuit, Ogilvie's patents were found invalid, but the damages awarded to Manildra for violations of the Lanham Act and Kansas common law were overturned on appeal.¹⁴⁷ Manildra then submitted a bill of costs under Federal Rule of Civil Procedure 54(d), seeking \$190,393.74 as a prevailing party.¹⁴⁸ The district court found that Manildra's

¹³⁷ *Id.* at 1107, 39 U.S.P.Q.2d at 1006.

¹³⁸ 939 F.2d 1558, 19 U.S.P.Q.2d (BNA) 1500 (Fed. Cir. 1991).

¹³⁹ *Maxwell*, 86 F.3d at 1107, 39 U.S.P.Q.2d at 1006.

¹⁴⁰ *Id.*

¹⁴¹ *Id.* 35 U.S.C. § 112 ¶ 1 (1994).

¹⁴² *Id.*

¹⁴³ 76 F.3d 1178, 37 U.S.P.Q.2d (BNA) 1707 (Fed. Cir. 1996).

¹⁴⁴ *Id.* at 1180, 37 U.S.P.Q.2d at 1709.

¹⁴⁵ *Id.*

¹⁴⁶ *Id.*

¹⁴⁷ *Id.* *Manildra Milling Corp. v. Ogilvie Mills, Inc.*, 1 F.3d 1253, 30 U.S.P.Q.2d (BNA) 1012 (Fed. Cir. 1993).

¹⁴⁸ *Id.*

success in having Ogilvie's patents declared invalid was sufficient to make it a prevailing party and awarded partial costs of \$82,754.93.¹⁴⁹

On appeal, the Federal Circuit began by pointing to the lack of uniformity among the circuit courts as to the proper standard of review when evaluating the prevailing party issue.¹⁵⁰ Because of this lack of uniformity among the circuits, as well as the Federal Circuit's unique mandate to promote uniformity in the outcome of patent litigation, the court ruled that Federal Circuit law should be applied to define the meaning of prevailing party in the context of patent litigation.¹⁵¹ The court then defined prevailing party as a party who has a competitor's patent declared invalid.¹⁵² The Federal Circuit also pointed out that the inquiry when awarding costs does not end upon a finding of a prevailing party, but that the district court judge retains broad discretion as to how much to award, if anything.¹⁵³ The court also stated that the process of deciding whether to award costs in a patent trial implicates the same considerations employed in any other type of trial, such as the litigant's behavior at the trial.¹⁵⁴ The Federal Circuit affirmed the trial court's award.¹⁵⁵

E. Claim Construction: *Hoechst Celanese Corp. v. BP Chemicals Ltd.*¹⁵⁶

The Federal Circuit in *Hoechst*, under its mandate from *Markman*, ruled that patent claim construction that excludes the preferred embodiment must be rejected.¹⁵⁷ At issue in this case was the infringement of a patent for the removal of iodide compounds from non-aqueous organic media.¹⁵⁸ The particular issue before the court was the redetermination of claim interpretation as mandated by *Markman*.¹⁵⁹ Because it was no longer disputed that all the other claim elements and limitations from the Hoechst patent were present in the BP method, the question of infringement turned on the meaning of the word "stable" in the claims.¹⁶⁰ Although the trial court identified the evidence in support of the jury verdict, identified the

¹⁴⁹ *Id.*

¹⁵⁰ *Id.* at 1181, 37 U.S.P.Q.2d at 1709-10.

¹⁵¹ *Id.*, 37 U.S.P.Q.2d at 1710.

¹⁵² *Id.* at 1182, 37 U.S.P.Q.2d at 1711.

¹⁵³ *Id.* at 1183, 37 U.S.P.Q.2d at 1711.

¹⁵⁴ *Id.*, 37 U.S.P.Q.2d at 1712.

¹⁵⁵ *Id.* at 1185, 37 U.S.P.Q.2d at 1713.

¹⁵⁶ 78 F.3d 1575, 38 U.S.P.Q.2d (BNA) 1126 (Fed. Cir. 1996).

¹⁵⁷ *Id.* at 1577, 38 U.S.P.Q.2d 1128.

¹⁵⁸ *Id.*

¹⁵⁹ *Id.*

¹⁶⁰ *Id.* at 1578, 38 U.S.P.Q.2d at 1128.

evidence supporting each party's theory of the meaning of certain disputed terms in the patent, and stated its own view of the meaning of these terms, *Markman* requires the Federal Circuit to determine de novo any disputed questions of claim interpretation without deference to the findings made by the trier of fact.¹⁶¹ In affirming the lower court's decision, the Federal Circuit relied on the district court's observation that BP's interpretation of "stable" would exclude from the claims the Hoechst preferred embodiment described in the specification.¹⁶² The Federal Circuit agreed with the district court that it would be unlikely that the inventor would define the invention in a way that would exclude the preferred embodiment or that a person skilled in the art would read the specification in such a way.¹⁶³

F. Destruction of Records: *Sensonics, Inc. v. Aerosonic Corp.*¹⁶⁴

In this case, Sensonics appealed the district court's measure of damages on the ground that the court underestimated the number of infringing devices made by Aerosonic.¹⁶⁵ The Federal Circuit upheld the trial court's extrapolation of infringing products based on a log of serial numbers for the last six month's production preceding the expiration of the patent.¹⁶⁶ Aerosonic had destroyed all of its manufacturing records after the litigation began.¹⁶⁷ Such acts, the court held, give rise to a strong inference that the records would have been unfavorable to Aerosonic.¹⁶⁸ However, because Sensonics did not suggest an alternative to the estimation method adopted by the district court, the district court's finding was sustained.¹⁶⁹

V. Miscellaneous Patent Issues

A. Pre-emption: *Cover v. Hydramatic Packing Co.*¹⁷⁰

Periodically, but not often, the issue of pre-emption arises in patent cases. In *Cover*, a patentee sued his licensee and a third party supplier to the licensee.¹⁷¹ The

¹⁶¹ *Id.*, 38 U.S.P.Q.2d at 1128-29.

¹⁶² *Id.* at 1580, 38 U.S.P.Q.2d at 1130.

¹⁶³ *Id.* at 1580-81, 38 U.S.P.Q.2d at 1130.

¹⁶⁴ 81 F.3d 1566, 38 U.S.P.Q.2d (BNA) 1551 (Fed. Cir. 1996).

¹⁶⁵ *Id.* at 157-72, 38 U.S.P.Q.2d at 1555.

¹⁶⁶ *Id.* at 1572, 38 U.S.P.Q.2d at 1555.

¹⁶⁷ *Id.*, 38 U.S.P.Q.2d at 1556.

¹⁶⁸ *Id.*

¹⁶⁹ *Id.* at 1573, 38 U.S.P.Q.2d at 1556.

¹⁷⁰ 83 F.3d 1390, 38 U.S.P.Q.2d (BNA) 1783 (Fed. Cir. 1996).

third party supplier asserted a cross-action against the licensee.¹⁷² The patentee then settled with both defendants leaving only the cross-action.¹⁷³ The licensee, Hydramatic, had given specifications to the third party supplier that did not contain a patent notice.¹⁷⁴ The third party supplier asserted in its cross-action that Hydramatic was liable under the Uniform Commercial Code because Hydramatic had furnished “specifications to the seller” and, therefore, “must hold the seller harmless against any such claim which arises out of compliance with the specifications.”¹⁷⁵

Hydramatic asserted that because the patentee (who had settled out of the case) did not mark his specifications, there was a failure to mark under the patent statute 35 U.S.C. § 287(a), and that therefore the state law claim was pre-empted.¹⁷⁶ The court held that pre-emption did not apply, and that § 287(a) left the lawsuit when the patentee left the lawsuit.¹⁷⁷ The court found no conflict between the statutes and no pre-emption.¹⁷⁸

B. Implied-in-Fact Contract to Assign: *Teets v. Chromalloy Gas Turbine Corp.*¹⁷⁹

Most patent attorneys are familiar with “shop rights” or the “hired to invent” doctrine that can give rights under inventions to an employer. In a slightly different twist in *Teets*, the court held that there was an implied-in-fact contract to assign an invention by Teets to Chromalloy.¹⁸⁰ While the trial court found Teets to be the owner of the invention, the Federal Circuit reversed the holding that Teets’ employer had directed him to devise a one piece leading edge for a General Electric aircraft engine.¹⁸¹ After having directed Teets to perform that task, Teets was compensated for his efforts.¹⁸² Further, Chromalloy paid for the refinement of the process and the patent application, supplied the facilities in which the work was performed, and

¹⁷¹ *Id.*

¹⁷² *Id.* at 1391, 38 U.S.P.Q.2d at 1784.

¹⁷³ *Id.* at 1392, 38 U.S.P.Q.2d at 1785.

¹⁷⁴ *Id.*

¹⁷⁵ *Id.* at 1393, 38 U.S.P.Q.2d at 1786.

¹⁷⁶ *Id.* at 1391, 38 U.S.P.Q.2d at 1784.

¹⁷⁷ *Id.* at 1393, 38 U.S.P.Q.2d at 1786.

¹⁷⁸ *Id.*

¹⁷⁹ 83 F.3d 403, 38 U.S.P.Q.2d (BNA) 1695 (Fed. Cir. 1996).

¹⁸⁰ *Id.* at 408, 38 U.S.P.Q.2d at 1699.

¹⁸¹ *Id.* at 409, 38 U.S.P.Q.2d at 1699.

¹⁸² *Id.* at 408, 38 U.S.P.Q.2d at 1699.

supplied additional people to assist in the project.¹⁸³ Another employee of Chromalloy was also a co-inventor. Even though Teets did some of the work at his home, the vast majority of the refinement and development of the invention was at Chromalloy's time and expense.¹⁸⁴ In reversing, the Federal Circuit indicated the undisputed facts showed an implied-in-fact contract to assign the patent rights to Chromalloy.¹⁸⁵

C. Liability of Majority Shareholder/Chief Operating Officer: *Hoover Group, Inc. v. Custom Metalcraft, Inc.*¹⁸⁶

In a first trip to the Federal Circuit in *Hoover Group*, the validity of two patents and infringement on one of them had been affirmed.¹⁸⁷ Now the case was at the Federal Circuit a second time on the issue of the personal liability of Mr. Holden, the President, Chief Executive Officer, and principal shareholder of Custom.¹⁸⁸ After detailing the various ways that personal liability could be imposed on such an individual, the court stated: "However, the record shows that Mr. Holden made a straightforward commercial response to the assertions of patent infringement, including prompt consultations with counsel."¹⁸⁹ The court later concluded: "In sum, unless the corporate structure is a sham, as is not here asserted, personal liability for inducement to infringe is not automatic but must be supported by personal culpability."¹⁹⁰ The finding of personal liability as to Mr. Holden was reversed.¹⁹¹

D. Declaratory Judgment Jurisdiction Over Foreign Patent Owner and Exclusive Distributor: *Viam Corp. v. Iowa Export-Import Trading Co.*¹⁹²

Every lawyer who litigates patent cases has encountered at one time or another a problem with a foreign corporation contending there is not jurisdiction even though its products are distributed in the forum where it was sued. Such was the case in *Viam*. Spal Corporation, an Italian company, through its exclusive distributor in the

¹⁸³ *Id.*

¹⁸⁴ *Id.*

¹⁸⁵ *Id.*

¹⁸⁶ 84 F.3d 1408, 38 U.S.P.Q.2d (BNA) 1860 (Fed. Cir. 1996).

¹⁸⁷ *Hoover Group, Inc. v. Custom Metalcraft, Inc.*, 66 F.3d 299, 305, 36 U.S.P.Q.2d (BNA) 1101, 1105 (Fed. Cir. 1995).

¹⁸⁸ 84 F.3d 1408, 1410, 38 U.S.P.Q.2d 1860, 1861.

¹⁸⁹ *Id.* at 1412, 38 U.S.P.Q.2d at 1862.

¹⁹⁰ *Id.*

¹⁹¹ *Id.*, 38 U.S.P.Q.2d at 1863.

¹⁹² 84 F.3d 424, 38 U.S.P.Q.2d (BNA) 1833 (Fed. Cir. 1996).

United States, Iowa Export-Import Trading Co., sent a letter to Viam indicating that its product infringed a patent owned by Spal.¹⁹³ Viam filed a declaratory judgment action of invalidity and non-infringement.¹⁹⁴ The district court dismissed the action concluding (1) there was not jurisdiction over Spal and (2) Spal was an indispensable party, so that the entire complaint should be dismissed.¹⁹⁵ Meanwhile, Spal's product was being distributed in the forum's jurisdiction and Spal had sued another company under its patent.¹⁹⁶

The Federal Circuit concluded that the same standard to determine personal jurisdiction would be applied against a patentee in a declaratory judgment action as would be applied against an alleged infringer in a patent infringement suit.¹⁹⁷ In the case at bar, the foreign patentee had marketing agreements and practices through its distributor by which it purposely sold products in the forum district.¹⁹⁸ In reversing the district court and allowing the suit to go forward against both the foreign patentee and its distributor, the court stated that "[i]t is not unfair to require that an out-of-state patent holder who asserts its rights through a local distributor in its regular chain of distribution against an in-state party be held to have subjected itself to the due process of the relevant jurisdiction."¹⁹⁹

This case is useful when trying to bring in a foreign corporation that has a distribution system in the United States, whether the foreign corporation is the infringer or the patentee.

E. Declaratory Judgment Discretionary: *EMC Corp. v. Norand Corp.*²⁰⁰ and *GAF Building Materials Corp. v. Elk Corp. of Dallas*²⁰¹

For many lawyers who are looking at a declaratory judgment suit for patent invalidity or non-infringement, most of the cases turn on whether there is a case or controversy. In other words, the question is whether the patentee has threatened to enforce his patent. In a different twist, the district court in *EMC Corp.* found that there was a case or controversy, but it declined to exercise its jurisdiction in a

¹⁹³ *Id.* at 426, 38 U.S.P.Q.2d at 1834.

¹⁹⁴ *Id.*

¹⁹⁵ *Id.* at 427, 38 U.S.P.Q.2d at 1835.

¹⁹⁶ *Id.*

¹⁹⁷ *Id.*

¹⁹⁸ *Id.* at 428, 38 U.S.P.Q.2d at 1836.

¹⁹⁹ *Id.* at 429-30, 38 U.S.P.Q.2d at 1837.

²⁰⁰ 89 F.3d 807, 39 U.S.P.Q.2d (BNA) 1451 (Fed. Cir. 1996).

²⁰¹ 90 F.3d 479, 39 U.S.P.Q.2d (BNA) 1463 (Fed. Cir. 1996).

declaratory judgment action.²⁰² Because the parties were engaged in licensing negotiations, the court held that to allow EMC to file a declaratory judgment action under such circumstances “would encourage parties who were negotiating with patentees to use the declaratory judgment procedure to improve their bargaining positions and to impede negotiations between patentees and other potential licensees or buyers.”²⁰³ The Federal Circuit reached its own conclusion that there was a case or controversy and affirmed the district court’s dismissal as not being an abuse of discretion.²⁰⁴ While this case appears to be unusual, in the appropriate circumstances a patentee can now move to dismiss a declaratory judgment action even when there is an existing case or controversy if the declaratory judgment “would impede negotiations.”²⁰⁵ It is predicted that this case will be restricted to its facts.

In another twist on declaratory judgment actions, after receiving notice that a patent was about to issue and that its products would infringe, GAF Building Materials Corp. filed a declaratory judgment suit for invalidity and non-infringement of the patent that was “about to issue.”²⁰⁶ On the day the patent issued, the patentee filed a second suit asserting patent infringement.²⁰⁷ Later, the alleged infringer received notice of the issuance of the patent and amended the first suit to assert the particular patent it believed was invalid and infringed.²⁰⁸ The Federal Circuit had no problem in affirming the dismissal of the first filed suit as not stating a case or controversy *when filed*.²⁰⁹

VI. Conclusion

Markman is the most significant patent decision in several years. However, the Federal Circuit continues to make its presence felt through its decisions affecting all areas related to United States patents. This recent developments article has focused on some of the decisions of the Circuit Court reported between March and August 1996 in the Bureau of National Affairs’ *United States Patent Quarterly*, Second Series. While some of the authors’ views regarding these decisions have been expressed herein, the primary purpose of this article has been to give an overview of the more important decisions issued by the court during the reported time period.

²⁰² *EMC Corp.*, 89 F.3d at 809, 39 U.S.P.Q.2d at 1452.

²⁰³ *Id.* at 810, 39 U.S.P.Q.2d at 1453.

²⁰⁴ *Id.*

²⁰⁵ *Id.*, 39 U.S.P.Q.2d at 1454.

²⁰⁶ *GAF Bldg.*, 90 F.3d at 482, 39 U.S.P.Q.2d at 1466.

²⁰⁷ *Id.* at 480, 39 U.S.P.Q.2d at 1464.

²⁰⁸ *Id.*

²⁰⁹ *Id.* at 484, 39 U.S.P.Q.2d at 1467.