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Rule 11 Considerations in Filing Complaints and Counterclaims in Patent Cases

By Gerald J. Flattmann, Jr.¹ and Gregory A. Morris²

I. Introduction

A patent practitioner who ignores Rule 11³ does so at his or her own peril. In one relatively recent case, the Federal Circuit affirmed sanctions of \$97,000 against a patentee's counsel for violating Rule 11 by failing to conduct an adequate pre-filing investigation before asserting patent infringement counterclaims.⁴ The Court explained its decision in terms of its willingness to protect parties against the potentially monumental costs associated with having to respond to baseless claims:

A patent suit can be an expensive proposition. *Defending against baseless claims of infringement subjects the alleged infringer to undue costs—precisely the scenario Rule 11 contemplates. Performing a pre-filing assessment of the basis of each infringement claim is, therefore, extremely important. In bringing a claim of infringement, the patent holder, if challenged, must be prepared to demonstrate to both the court and the alleged infringer exactly why it believed before filing the claim that it had a reasonable chance of proving infringement.* Failure to do so should ordinarily result in the district court expressing its broad discretion in favor of Rule 11 sanctions, at least in the absence of a sound excuse or considerable mitigating circumstances.⁵

In this paper, we discuss the most recent Federal Circuit cases addressing what constitutes an adequate pre-filing investigation under Rule 11.⁶ In addition, we discuss two decisions recently issued by the U.S. District Court for the Southern District of New York concerning Rule 11 sanctions in patent cases. We then distill from these cases the primary considerations that should be taken into

account by reasonable practitioners who contemplate filing a claim or counterclaim in a patent matter. Finally, we discuss pre-filing obligations under Rule 11 regarding potential invalidity defenses, and practical approaches to avoiding or minimizing the possibility of Rule 11 sanctions.

II. The Rule 11 Standard

Federal Rule of Civil Procedure 11(b)(1)-(3) states as follows:

(b) Representations to Court.

By presenting to the court (whether by signing, filing, submitting, or later advocating) a pleading, written motion, or other paper, an attorney or unrepresented party is certifying that to the best of the person's knowledge, information, and belief, *formed after an inquiry reasonable under the circumstances*, —

(1) it is not being presented for any improper purpose, such as to harass or to cause unnecessary delay or needless increase in the cost of litigation;

(2) the claims, defenses, and other legal contentions therein are warranted by existing law or by a nonfrivolous argument for the extension, modification, or reversal of existing law or the establishment of new law;

(3) the allegations and other factual contentions have evidentiary support or, if specifically so identified, are likely to have evidentiary support after a reasonable opportunity for further investigation or discovery; . . .⁷

Under Rule 11, an attorney certifies by his or her signature that the pleading or motion being filed is well grounded in fact and law and that the paper is not being presented to the court for an improper purpose.⁸ Rule 11 provides that the courts may impose sanctions on both clients and attorneys if the

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April 10, 2006

Dear Members:

What a year our Association has had!

Its committees, 20 in number with approximately 300 members, have been active, as readers of this Bulletin know.

Our premier event, the Dinner in Honor of the Federal Judiciary, held on March 24 at the Waldorf-Astoria, was a big success. With nearly 120 judges present as our honored guests, from 12 district and 5 appeals courts, more than 3300 of us gathered to honor and thank them. We also paid tribute to a lifetime of excellence by awarding the Fourth Annual Public Service Award to Judge Joseph M. McLaughlin, of the Second Circuit Court of Appeals. Judge McLaughlin has devoted his entire professional career to public service, as a scholar, teacher, dean of a major law school, trial and now appellate judge. More than that, he demonstrated once again that he can charm his audience better than just about anyone! Also, I wish to thank our keynote speaker, Scott Turow, for his humorous presentation of his transformation from trial lawyer to world-renowned author, with 7 best sellers ("Presumed Innocent," "The Burden of Proof," "Pleading Guilty," "The Laws of Our Fathers," "Personal Injuries," "Reversible Errors" and "Ordinary Heroes") and 29 million copies sold.

The Association has excelled with its very valuable Continuing Legal Education programs, through the hard work and dedication of both the Committee on Continuing Legal Education and the Committee on Meetings and Forums. These programs provide both expert speakers on noteworthy topics and valuable program materials. Further, the Association has expanded the venues in which programs are held to allow for greater capac-



President Edward E. Vassallo

ity and comfort for this growing part of the Association's activities.

The Publications Committee has improved both the Bulletin and the Green Book.

The Committee on Legislative Oversight and Amicus briefs has excelled in both the number and quality of its Amicus briefs.

Finally, I am pleased to inform you that the Association's Nominating Committee has nominated an excellent slate of officers and directors, whose terms begin May 24, 2006. They are Marylee Jenkins, President; President-Elect, Christopher A. Hughes; First Vice-President, Anthony Giaccio; Second Vice-President, Mark J. Abate; Treasurer, John E. Daniel; Secretary, Theresa M. Gillis; Directors, Robert C. Scheinfeld, Dale L. Carlson, Vincent N. Palladino, Karl F. Milde, Jr., Philip Shannon, Edward E. Bailey, Ronald A. Clayton, Thomas J. Meloro and Alexandra B. Urban. I know the Association will be in good hands.

Respectfully,
Edward E. Vassallo

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rule is violated.⁹ The rule gives courts broad discretion in determining what sanctions should be imposed. In addition to monetary sanctions, the court may order a variety of other sanctions under Rule 11, such as the striking of an offending paper or even censure. The amount of monetary sanctions may include expenses and attorney's fees incurred in defending against an invalid claim. While monetary sanctions resulting from a Rule 11 sanction may be imposing, the attendant damage to the attorney's reputation and professional stature could be staggering.

Rule 11(c)(1)(A) provides a safe harbor from the imposition of Rule 11 sanctions.¹⁰ That subdivision provides that a motion for sanctions can only be filed if the challenged paper has not been withdrawn or appropriately corrected 21 days after the motion is served.¹¹ Thus, a party served with a Rule 11 motion ordinarily may withdraw or fix the offending pleading within 21 days of service in order to avoid sanctions.

III. Federal Circuit Cases Addressing the Pre-Filing Requirements of Rule 11

The following Federal Circuit cases squarely address the pre-filing requirements of Rule 11 in patent infringement actions.¹² In evaluating whether a pre-filing investigation is adequate under Rule 11, the Federal Circuit applies the law of the regional circuit in which the district court sits.¹³

Common principles emerge from a review of the Federal Circuit's decisions on Rule 11:

- An infringement analysis should be performed prior to asserting patent infringement claims or counterclaims.
- A pre-filing infringement analysis should be carried out independently by an attorney.
- As part of a pre-filing infringement analysis, an attorney should construe the asserted claims and then compare them with the accused product or process.
- When possible, an attempt should be made to obtain the accused product, so that it can be compared with the claims of the asserted patent prior to filing.
- In some instances, a valid excuse may exist for not comparing the claims of the asserted patent with the accused product prior to filing.
- In certain circumstances, an attorney may reasonably rely on the admissions of a defendant, in the form of product advertisements, labeling or brochures, as a part of his or her infringement analysis.

A. *Cambridge Products*

In *Cambridge Products, Ltd v. Naremcu, Inc.*, the Federal Circuit affirmed the district court's denial of sanctions under Rule 11.¹⁴ Cambridge Products accused the defendant of infringing a patent directed to methods of preparing anti-microbial compounds. After Cambridge Products voluntarily dismissed the infringement action, the defendant moved for Rule 11 sanctions for Cambridge Products' failure to make a reasonable inquiry into the facts and the law supporting the complaint. The defendant claimed that, although Cambridge Products performed an independent chemical analysis of the allegedly infringing product, it did not make any attempt to determine the method by which the defendant's allegedly infringing product was made before filing the complaint. The defendant further argued that "a simple phone call to [defen-

dant] Penn would have revealed that the [allegedly infringing] method was not the same."¹⁵

The Federal Circuit found that, in light of Cambridge Products' independent testing of the allegedly infringing product, confirming that the product fell within the chemical specification of the product prepared by the patented method, plaintiffs undertook a reasonable pre-filing inquiry. In reaching its conclusion, the Court noted that "[w]ithout the aid of discovery, any further information was not practicably obtainable."¹⁶

B. *Bravo Systems*

In *S. Bravo Sys., Inc. v. Containment Techs. Corp.*, the Federal Circuit vacated and remanded the district court's denial of Rule 11 sanctions against the plaintiff, Bravo Systems.¹⁷ Bravo Systems asserted a patent directed toward a device for detecting when a leak in a gas confinement tank occurs. Before filing the lawsuit, Bravo Systems' principal attended trade shows where he saw Containment Technologies' ("CTCs") containment boxes and obtained literature on CTC's products. Although the CTC containment boxes that the principal saw did not include leak detectors, he nonetheless concluded that CTC was infringing his patent based on his visual inspection of CTC's boxes at the trade show and his review of the literature. Bravo Systems' principal testified that he discussed his observations with his attorney and gave his attorney the materials he had collected, but did not secure infringement advice from counsel prior to filing suit or at any time thereafter. The district court granted summary judgment to CTC, finding that CTC's devices did not infringe the asserted patent. CTC then moved for Rule 11 sanctions for Bravo Systems' failure to conduct a reasonable pre-filing investigation. The district court denied the motion for sanctions without explanation.

The Federal Circuit noted that, according to the record below, Bravo Systems' attorneys relied on their client's lay opinion that CTC's devices infringed. The Court stated that an infringement analysis requires an interpretation of the claims and an assessment of whether the claims read on the accused devices. The Court noted that, even though one of Bravo Systems' attorneys stated in a declaration that he had conducted independent research "into appropriate legal issues" and had spoken to Bravo Systems' principal who observed the allegedly infringing product, there was no evidence that either of Bravo Systems' attorneys ever compared the accused devices with the claims.¹⁸ In remanding the district court's order for further consideration, the Court instructed that "[i]f the district court finds that Bravo Systems' attorneys conducted no investigation of the factual and legal merits of Bravo's claims other than to rely on [principal] Mr. Bravo's lay opinion that CTC was infringing the '024 patent, it would be difficult to avoid the conclusion that sanctions are appropriate."¹⁹

C. *Judin*

In *Judin v. United States*, the Federal Circuit reversed the denial of Rule 11 sanctions based on the failure of the patentee to make a reasonable inquiry before filing a complaint.²⁰ Judin brought an infringement action against the United States, alleging that the United States Postal Service infringed its patent directed to methods of using bar code scanners. The suit named Hewlett-Packard ("HP"), manufacturer of scan-

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ning wands, as a third party defendant. After Judin later stipulated that the Government never purchased any optical equipment from HP, the Government moved for Rule 11²¹ sanctions against Judin and his attorneys for failure to make a reasonable inquiry before filing the complaint. HP appealed after the district court denied its motion for sanctions.

The Federal Circuit found that the failure of the patentee and the patentee's attorney to make a reasonable inquiry before filing a complaint warranted Rule 11 sanctions. In making this finding, the Court considered the fact that, prior to filing the complaint, the patentee and his attorney merely observed the accused device from a distance but never attempted to obtain a device from the Postal Service or HP so that its actual design could be compared with the claims of the patent. The Court also noted that there was no attempt to dissect or reverse engineer the accused device.

D. View Engineering

In *View Eng'g, Inc. v. Robotic Vision Sys., Inc.*, the Federal Circuit upheld the district court's imposition of sanctions under Rule 11 for the patentee's failure to perform a reasonable inquiry before filing patent infringement counterclaims.²² View Engineering filed a claim for declaratory relief against Robotic, seeking to have Robotic's patent declared invalid and non-infringed. In its answer, Robotic counterclaimed that View Engineering infringed eight of its patents. After View Engineering moved for summary judgment and for sanctions, alleging that Robotic's counterclaims were without merit, Robotic withdrew its counterclaims on five of the eight patents. The district court then granted summary judgment of non-infringement on the remaining three patents and imposed sanctions against Robotic's attorneys, finding that there was no reasonable basis under Rule 11 for their filing of the counterclaims.

On appeal, the Federal Circuit found that the district court's imposition of sanctions was appropriate because Robotic did not perform any infringement analysis before filing its counterclaims. The Court held that

Rule 11, we think, must be interpreted to require the law firm to, at a bare minimum, apply the claims of each and every patent that is being brought into the lawsuit to an accused device and conclude that there is a reasonable basis for a finding of infringement of at least one claim of each patent so asserted. *The presence of an infringement analysis plays the key role in determining the reasonableness of the pre-filing inquiry made in a patent infringement case under Rule 11.*²³

In reaching this decision, the Court noted that the four months between the time that View Engineering filed for declaratory judgment and the filing of the counterclaims provided ample opportunity for Robotic to construe the asserted claims. Furthermore, the Court asserted that Robotic's lawyers could have acted to accelerate discovery, instead of waiting approximately six months to sign the protective order that eventually gave Robotic access to documents detailing the construction of View Engineering's machines.²⁴

E. Hoffmann-La Roche

In *Hoffmann-La Roche Inc. v. Invamed Inc.*, the Federal Circuit upheld the district court's denial of Rule 11 sanctions,

finding that the plaintiffs' pre-filing inquiry was reasonable.²⁵ Plaintiffs Hoffmann-La Roche ("Roche") and Syntex asserted a patent directed to processes for manufacturing a drug compound against a generic manufacturer under the Hatch-Waxman Act.²⁶ The complaint set forth that prior to suit, plaintiffs sought information from the generic manufacturer defendants in order to assist them in confirming whether the defendants' manufacturing methods were within the scope of the claims of the asserted patents. The complaint further alleged that plaintiffs were not aware of any analytical technique that could be used to establish definitively that the active ingredient used in defendants' drug was made by the claimed processes of the asserted patent. Even though defendants later provided Roche with samples of their active ingredient, defendants declined to provide any information regarding the process of its manufacture because of an alleged confidentiality agreement with the manufacturer of the active ingredient. Roche then attempted to "reverse engineer" the sample tablets but could not determine if they were made by the patented methods.

After the suit was filed, Roche signed a non-disclosure agreement, thereby gaining access to manufacturing information. Based on this information, Roche determined that one defendant's process did not infringe the asserted patent. After plaintiffs voluntarily dismissed their case, that defendant moved for Rule 11 sanctions asserting that the suit was baseless and was brought in bad faith. The district court denied Rule 11 sanctions, finding that Roche and co-plaintiff, Syntex's pre-filing inquiry was reasonable, even though it was inconclusive.

On appeal, the Federal Circuit agreed that the plaintiffs' pre-filing inquiry was reasonable and that Rule 11 sanctions were not warranted. The Court pointed to the fact that Roche and co-plaintiff Syntex attempted to determine by reverse engineering if the processes used were infringing, but were unable to do so. The Court noted that the defendant, generic drug company Torpharm, refused to disclose the manufacturing processes due to a confidentiality agreement but proffered no evidence that it had sought permission from the manufacturer to disclose the process information. The Court also noted that the complaint set forth explicitly that plaintiffs were not aware of any analytical technique that could be used to definitively establish that the active ingredient used in defendant's drug was made by the claimed processes of the asserted patent. The Court concluded that "[i]t is difficult to imagine what else Roche and Syntex could have done to obtain facts relating to Torpharm's alleged infringement of their process patents."²⁷ In reaching its conclusion, the Court noted that Roche and Syntex's pre-filing inquiry was more extensive than the inquiry Cambridge Products made in *Cambridge Products, Ltd v. Naremcro, Inc.*, which was found to be reasonable. Accordingly, the Roche Court held that Roche and Syntex's initial claim of infringement was not unreasonable in light of the information that the plaintiffs had access to at the time they filed the complaint.

F. Antonious

In *Antonious v. Spalding & Even30 Cos., Inc.*, the Federal Circuit vacated the district court's imposition of Rule 11 sanctions based on Antonious' pre-filing claim interpretation, instead

finding that the attorneys' construction of the asserted patent claims was not frivolous.²⁸ In addition, the Court remanded the matter to the district court for determination of whether Antonious' pre-filing factual investigation was adequate in light of the attorneys' interpretation of the patent claims.

Antonious filed a patent infringement suit against Spalding, asserting a patent directed to an improved perimeter weighting structure for metal golf club heads. Prior to filing the complaint, the patentee cut open and inspected the accused golf club and then turned it over to his attorneys for advice. After interpreting the claims of the asserted patent, the attorneys determined that the golf club fell within the scope of the claims. Relying on Spalding advertisements, the attorneys inferred that 20 other clubs similarly infringed the asserted patent. After the district court declared the asserted patent invalid and found that Spalding's accused clubs did not infringe the patent, Spalding moved for Rule 11 sanctions against the patentee and his counsel for failure to conduct a reasonable pre-filing investigation. The district court awarded Spalding sanctions under Rule 11.

The Federal Circuit found that the attorneys' construction of patent claims was not frivolous, and remanded the case to the district court to determine whether the pre-filing factual investigation was adequate. Because the district court had not specified its grounds for granting Rule 11 sanctions, the Court examined whether the proposed claim construction was frivolous and also analyzed the adequacy of the factual investigation. Applying Fourth Circuit law, the Court explained that the attorneys' claim construction would be frivolous if a reasonable attorney would recognize it as frivolous.²⁹ In analyzing counsel's claim construction, the Court noted that the lawyers' use of an alternative dictionary definition of a key claim term and a quoted passage of the patent to interpret the claims was not frivolous. Further, the Court noted that the lawyers independently construed the patent claims before filing the suit and did not merely rely on the patentee for their claim analysis.³⁰

In considering the adequacy of the factual investigation, the Court noted that the attorneys admitted they inferred that 20 of the accused golf clubs infringed the asserted patent based on their inspection of only one club. The Court reasoned that when a number of products are charged with infringement, it is not always necessary for plaintiff's attorneys to inspect each product separately to verify the facts on which the plaintiff may base its infringement allegations. However, in remanding, the Court instructed the district court that the evidence uncovered by the patent holder's investigation must have been sufficient to permit a reasonable inference that all the accused products infringe.

G. Q-Pharma

In *Q-Pharma, Inc. v. Andrew Jergens Co.*, the Federal Circuit affirmed the district court's denial of Jergens' motion for Rule 11 Sanctions.³¹ Q-Pharma's complaint alleged that Jergens Curiel CoQ₁₀ lotion fell within the scope of its patent, which was directed to a method for therapeutically treating damaged tissue by topically administering a composition containing Coenzyme Q₁₀ ("CoQ₁₀"). Before filing the complaint, Q-Pharma's attorneys obtained a sample of the Curiel CoQ₁₀ lotion but did not perform a chemical analysis

on it. Instead, Q-Pharma relied on Jergens' advertising statements, which stated that its lotion "*which now contains the natural power of Q₁₀*" helps reveal visibly healthier skin."³² Q-Pharma's attorneys interpreted the claims of the asserted patent as reading on any lotion containing a "therapeutically effective amount" of CoQ₁₀. After Jergens' motion for summary judgment revealed that the accused product contained no more than 0.00005% CoQ₁₀ by weight, Q-Pharma voluntarily abandoned its suit. Jergens then moved for sanctions under Rule 11 asserting that Q-Pharma's pre-filing claim construction was frivolous and that its factual investigation was inadequate.

Upholding the district court's denial of sanctions, the Federal Circuit found that Q-Pharma's claim interpretation was not frivolous because, even though it was broad, it followed the standard canons of claim construction and was reasonably supported by the intrinsic record. The Court noted that the claim interpretations were consistent with the plain meaning of the claim language and did not appear to be inconsistent with the patent's written description or file history. In reaching its decision, the Court explained that

our case law makes clear that the key factor in determining whether a patentee performed a reasonable pre-filing inquiry is the presence of an infringement analysis. And an infringement analysis can simply consist of a good faith, informed comparison of the claims of a patent against the accused subject matter. Because Q-Pharma obtained a sample of the accused product, reviewed Jergens' statements made in the advertising and labeling of the accused product, and, most importantly, compared the claims of the patent with the accused product, we conclude that its claim of infringement was supported by a sufficient factual basis.³³

The Court also clarified that "a claim chart is not a requirement of a pre-filing infringement analysis, as the owner, inventor, and/or drafter of a patent ought to have a clear idea of what the patent covers without the formality of a claim chart."³⁴

The Court flatly rejected Q-Pharma's argument that "*View Engineering* ... makes clear that reliance on advertising as a basis for filing an infringement suit is not sufficient under Rule 11."³⁵ It distinguished *View Engineering* on the basis that the patentee in that case had not performed any claim construction or infringement analysis prior to filing suit.³⁶ The Court explained that Q-Pharma's suit, on the other hand, was not based solely on Jergens' advertising but also on a comparison of the asserted claims with the accused product.

The Court also distinguished *Judin* based on the fact that the patentee in that case did not attempt to obtain a sample of the accused product, nor did it compare the accused device with the patent claims prior to filing suit.³⁷ The Court explained that, Q-Pharma, on the other hand, did obtain a sample of the Curiel CoQ₁₀ lotion, and it also compared that product, as described on its label, with the claims of the asserted patent.

IV. Two Recent S.D.N.Y. Cases Addressing the Pre-Filing Requirements of Rule 11

Two recent decisions of the Southern District of New York, one imposing sanctions and one denying them, are also instructive.

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A. ResQNet

In *ResQNet.com, Inc. v. Lansa, Inc.*, the district court imposed Rule 11 sanctions on ResQNet and its attorneys for proceeding to file an amended complaint containing allegations of infringement that it had determined were meritless.³⁸ ResQNet filed a complaint asserting that Lansa's products infringed ResQNet's patents directed to on-screen recognition software. Approximately four months after filing their complaint, ResQNet's counsel sent a letter to Lansa marked "for settlement only" explaining:

1) With respect to the '127 patent, it does not appear that the Lansa system would infringe any claim, either literally or under the doctrine of equivalents. Thus, presuming we discover no contrary evidence as the case moves forward, [ResQNet] is prepared to remove this patent from the litigation.

2) With regard to the '608 patent, your detailed letter and the materials we have appear to show that the Lansa system does not infringe the claim in the '608 patent. Accordingly, unless we discover evidence to the contrary, ResQNet is also prepared at this point to remove the '608 patent from the litigation.³⁹

The letter further stated, "As you should see from our willingness above to drop from this suit two patents, which now appear not to be infringed, our firm views it as unprofessional and improper to pursue a claim without any merit."⁴⁰ ResQNet then filed an amended complaint which continued to assert infringement of both patents.

The Court found the letter to be admissible under Federal Rule of Evidence 408 because it was being offered for purposes other than to prove liability for, or invalidity of, the claim, or it. The Court noted that ResQNet offered no explana-

tion for its representation in the letter that it did not believe that the remaining patent in suit was infringed by Lansa's product. The Court imposed Rule 11 sanctions against ResQNet and its attorneys for "filing an amended complaint containing claims with regard to the '127 patent and the '608 patent after having expressly determined that the prior belief of infringement of those patents had been incorrect . . ."⁴¹

B. Arrival Star

In *Arrival Star Inc. v. Descartes Sys. Group Inc.*, the district court denied Rule 11 sanctions, finding that plaintiff Arrival Star's pre-filing inquiry was reasonable.⁴² Arrival Star filed a complaint asserting that Descartes' products infringed its patents directed to advanced notifications vehicular route optimization systems. Descartes moved for summary judgment and for Rule 11 sanction, alleging that no objectively reasonable attorney who had conducted the required pre-filing inquiry would have believed that the accused products read on the asserted patent claims.

In finding that sanctions were inappropriate, the Court first distinguished *View Engineering*, explaining that, unlike the plaintiffs in that case, Arrival Star's counsel had analyzed hundreds of pages of publicly available documents detailing Descartes' technology and prepared claim charts comparing Descartes' products to the claims of the patents in suit.⁴³ Furthermore, the Court distinguished *Judin* on the basis that, unlike in *Judin*, Arrival Star had attempted to obtain a sample of the accused software prior to filing by asking for source code, user manuals and system administration guides.⁴⁴

Relying on *Hoffman-La Roche*, the Court denied Rule 11 sanctions. According to the Court, *Hoffman-La Roche* held that sanctions are inappropriate "where a patentee has requested information concerning purportedly infringing products and that request has been rebuffed or rejected..."⁴⁵ The Court stated that, prior to filing its complaint, Arrival Star requested technical information by letter from Descartes that would have allowed for the evaluation of the accused software. The Court noted that Descartes stated that it would respond in "due course" to the letter but never indicated whether it intended to supply the requested information.⁴⁶

V. What Constitutes a Reasonable Pre-filing Inquiry?

A. An Infringement Analysis is Required

Several guiding principles emerge from the Federal Circuit's opinions. The Federal Circuit has instructed that "the key factor in determining whether a patentee performed a reasonable pre-filing inquiry is the presence of an infringement analysis."⁴⁷ Furthermore, the Federal Circuit requires that it be an attorney who conducts this infringement analysis.⁴⁸ In performing this analysis, an attorney may consult with a client but must perform the actual analysis independently. The Court has also warned that an attorney may not rely solely on the client's lay opinion that infringement occurred.⁴⁹

According to the Federal Circuit, an adequate infringement analysis has both a legal component and a factual component. The Court has determined that provision 11(b)(2) requires a non-frivolous claim construction, while provision 11(b)(3) requires the gathering of evidentiary support that the claims read on the accused product.⁵⁰

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1. Step One: Construe the Asserted Claims

In step one of the pre-filing infringement analysis, an attorney must interpret the asserted claims.⁵¹ According to the Federal Circuit, a proposed claim construction violates Rule 11 “if a reasonable attorney would recognize it as frivolous.”⁵² The reasonableness of a claim construction will likely turn on several factors, including whether it is sufficiently supported by intrinsic evidence. Such intrinsic evidence includes the plain meaning of the claim language, the written description and the file history of the asserted patent. A dictionary definition of a claim term has also been found to provide useful evidentiary support for a proposed claim construction.

For example, in *Antoniou*, the Court found that a claim construction was non-frivolous when it was supported by a dictionary definition and by a passage in the specification.⁵³ One might question whether the standard for what constitutes a non-frivolous claim construction could shift as Federal Circuit law on claim construction evolves. For instance, would the attorney claim construction in *Antoniou*, which relied heavily on dictionary meaning, be considered less reasonable if it occurred after the Federal Circuit’s decision in *Phillips v. AWH Corp.*, which many practitioners believe diminished the value of using dictionaries in claim construction?⁵⁴

In another example, *Q-Pharma*, the Federal Circuit found that a broad claim interpretation was non-frivolous when it “followed the standard canons of claim construction and was reasonably supported by the intrinsic record.”⁵⁵ The Court further explained that it found that the Q-Pharma attorneys’ interpretations of individual claim terms were consistent with the plain meaning of the claim language, the written description and the file history of the asserted patent. Finally, the *Q-Pharma* Court noted that “a claim chart is not a requirement of a pre-filing infringement analysis.”⁵⁶

2. Step Two: Compare the Accused Products or Processes with the Claims of the Asserted Patent

In step two of the pre-filing infringement analysis, an attorney must compare the accused products or processes with the claims of the asserted patent.⁵⁷ According to the Federal Circuit, “counsel must make a reasonable effort to determine whether the accused device satisfies each of the claim limitations.”⁵⁸ Whether this factual analysis is considered objectively reasonable will likely depend on a number of factors, such as if an effort was made to acquire information about the accused device, if that information was accessible, if a sample of the accused device was obtained, if the sample was analyzed, and if “reverse engineering” was attempted.

(a) Obtaining a Sample of the Accused Product

The Federal Circuit’s decisions also suggest that, when possible, an attorney should attempt to obtain and analyze a sample of the accused product for analysis before filing an infringement suit. This may be especially important if the product can be obtained easily and inexpensively, such as the accused golf club in *Antoniou*.⁵⁹

For example, in *Judin*, the Federal Circuit found that an attorney’s factual analysis failed to meet the minimum standards of Rule 11 when the attorney viewed the accused device from a distance in a post office, but did not attempt to obtain the device. The Court stated that “[n]o adequate explanation

was offered for why they failed to obtain, or attempted to obtain, a sample of the accused device from the Postal Service or a vendor so that its actual design and functioning could be compared with the claims of the patent.”⁶⁰

In contrast, the Federal Circuit in *Q-Pharma* concluded that the patentee’s pre-filing infringement analysis was supported by a sufficient evidentiary basis.⁶¹ In its analysis, the Court emphasized the fact that Q-Pharma obtained a sample of the accused product, even though the patentee proceeded to examine the label of the product, rather than analyze the product itself.

(b) Gathering Information on the Accused Product

The Federal Circuit’s decisions also suggest that an attorney should attempt to gather as much information as possible about the accused product before filing an infringement suit.

Notably, *Q-Pharma* may be read to suggest that in some cases a pre-filing investigation is reasonable even if it is based solely on advertisements or other publicly available product information.⁶² In *Q-Pharma*, the Court was satisfied with the patentee’s examination of the accused product’s label and the admissions set forth on that label, even though the patentee might have readily examined the accused product itself.

In contrast, the *View Engineering* court imposed Rule 11 sanctions when Robotic’s counsel did not attempt to obtain information about the accused product when there was a clear opportunity to do so.⁶³ The Court asserted that Robotic’s lawyers could have easily gained access to operating manuals that detailed the construction of View Engineering’s machines by accelerating discovery. The Court criticized Robotic for waiting for six months to file for a protective order, which would have given it access to the operating manuals and allowed it to access the information necessary to perform a pre-filing infringement analysis.

Finally, *Antoniou* suggests that an attorney asserting infringement claims would be well advised to gather specific information on each and every accused product before filing suit.⁶⁴ The *Antoniou* Court remanded the matter to the district court for a determination on the adequacy of *Antoniou*’s pre-filing factual investigation of 21 accused golf clubs. After examining only 1 golf club, *Antoniou*’s counsel inferred that 20 other golf clubs in the product line similarly infringed the asserted patent on the basis of an advertisement that stated, “Top-Flite Intimidator fairway woods use the same titanium insert technology as the drivers.”⁶⁵ The Court instructed the district court that “the evidence uncovered by the patent holder’s investigation must be sufficient to permit a reasonable inference that *all* the accused products infringe.”⁶⁶

(c) The Feasibility of an Actual Comparison of the Accused Product or Process to the Asserted Claims

The *Judin* Court’s emphasis on the fact that “[n]o adequate explanation was offered” for the failure of the plaintiff to obtain the accused device for analysis and comparison to the asserted claims implies that there are certain circumstances where an adequate explanation may be offered.⁶⁷ Indeed, the Federal Circuit’s decisions suggest that a reasonable inquiry does not necessarily require an actual comparison of the claims to the accused product or process, if it is determined that a reasonable attempt was made to do so, or that a comparison was not possible or feasible. These situations often

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arise in chemical and pharmaceutical cases, where patentees do not always have access to the type of information necessary to evaluate infringement fully prior to discovery.

For example, actions under the Hatch-Waxman Act⁶⁸ are unique in that the patentee files suit against the generic drug manufacturer before the generic drug product is ever commercialized. Thus, at the time of filing suit, the patentee often has limited information about the generic drug product and how it is made, other than that the generic manufacturer has certified to the FDA that it intends to make a product that will be bioequivalent in certain respects to the patent holder's drug product, which the patentee, in turn, has identified as covered by the patents at issue. While the patentee may ask the generic drug manufacturer for samples or for further information about the proposed product and how it is made, the generic manufacturer may be under no specific legal obligation to provide it. Further complicating these difficulties, the patentee must often decide whether to file an infringement suit within 45 days of receiving notice of the generic manufacturer's intent to market the product before expiration of the patent.⁶⁹

Hoffmann-La Roche provides an example of such an action where an adequate reason prevented the patentee from being able to obtain information about a potentially infringing chemical process prior to filing suit.⁷⁰ In *Hoffmann-La Roche*, the Federal Circuit upheld the district court's denial of Rule 11 sanctions, finding Roche and Syntex's pre-filing inquiry to be even more extensive than the one made in *Cambridge Products*. In explaining its decision, the Court noted that Roche made several attempts to gain information that would have allowed it to compare the accused process with the asserted claims.

First, the Court noted that before filing suit, Roche requested that generic drug company Torpharm disclose information about its manufacturing processes. However, Torpharm, refused to disclose the manufacturing processes due to an alleged confidentiality agreement, and in addition, proffered no evidence that it had sought permission from the manufacturer to disclose that information.⁷¹

In addition, the Court pointed to the fact that Roche attempted to determine by reverse engineering if the accused process-

es were infringing, but was unable to do so. Finally, the Court observed that Roche and Syntex, in their complaint, described the inquiry they had made and explained that they believed discovery was the only way that they could obtain the necessary information to assess infringement. The Court explained that Roche and Syntex's complaint

stated, on information and belief, that they were "not aware of any analytical technique which can be used to definitely establish" that defendants' generic ticlopidine hydrochloride was made by the processes their patents covered; that "for that reason" they had "sought from . . . them information as to its or its suppliers' process for the synthesis of that compound."⁷²

The Court also noted that the complaint stated:

[i]n the absence of such information, plaintiffs resort to the judicial process and the aid of discovery to obtain under appropriate judicial safeguards such information as is required to confirm their belief and to present to the Court evidence that each and every defendant infringes one or more claims of the Syntex Patents.⁷³

On this record, the Court concluded that "[i]t is difficult to imagine what else Roche and Syntex could have done to obtain facts relating to Torpharm's alleged infringement of their process patents."⁷⁴ Accordingly, in some instances, the plaintiff may have a reasonable excuse for bringing suit prior to any actual comparison of the accused product or process to the asserted claims.

Similarly, *Cambridge Products* is illustrative of another situation where an adequate reason exists for the patentee's inability to obtain information about a potentially infringing chemical process prior to filing suit.⁷⁵ In *Cambridge Products*, the Federal Circuit affirmed the district court's denial of sanctions under Rule 11, acknowledging that the plaintiffs had no access to information on the accused process that would allow a valid comparison with the asserted claims. In reaching its decision, the Court noted that plaintiffs' independent testing of the allegedly infringing product confirmed that the product fell within the chemical specification of the product prepared by the patented method and explained that "[w]ithout the aid of discovery, any further information was not practicably obtainable."⁷⁶

VI. Pre-Filing Investigation of Potential Invalidity Defenses

The Federal Circuit's recent decision in *Q-Pharma* suggests that there is typically no pre-filing obligation to affirmatively investigate whether a potential defense of invalidity would preclude an infringement claim.⁷⁷ In *Q-Pharma*, the defendant argued that the plaintiff violated Rule 11 because it asserted a patent that it should have known was invalid prior to filing suit. In support of its argument, the defendant pointed to multiple letters from accused infringers questioning the validity of the asserted patent. In denying sanctions, the Court found that plaintiff Q-Pharma reasonably believed its patent was valid in light of the statutory presumption of validity under 35 U.S.C. § 282 and the fact that several companies had taken licenses under the patent.⁷⁸

While the *Q-Pharma* decision may be applicable in situations where a patentee has no knowledge of invalidity prior to

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the filing of the complaint, it should not be taken as a license to assert a claim or counterclaim when there is an obvious or glaring defect in the patent. One can envision that situations where claims or counterclaims were filed with clear knowledge that the patent was invalid could lead to sanctions under Rule 11(b)(2).

VII. Practical Considerations

A patent practitioner considering filing a patent infringement claim should perform an infringement analysis before bringing suit. In performing that pre-filing analysis, there are a number of precautions a practitioner can take to minimize the possibility of Rule 11 sanctions. An attorney should begin a pre-filing investigation by attempting to collect as much information about the accused product or process as possible. Optimally, this attempt should include gathering any publicly available information on the accused product or process and requesting additional information, if necessary and feasible, from the alleged infringer.

In addition, when possible, a practitioner should attempt to acquire the accused device or product for further examination and analysis. If obtained, the device or product should be analyzed, and the advice of independent experts should be solicited if it may lend meaningful support to the analysis. Furthermore, if an independent analytical analysis would be helpful in determining if the accused product reads on the asserted claims, it should be performed. In the event that a

practitioner's efforts to obtain the requisite evidence for an infringement analysis fail, he or she should consider documenting the attempts to obtain that information and the need for further discovery in the complaint.

VIII. Conclusion

Examination of the Federal Circuit's cases addressing the pre-filing requirements of Rule 11 leaves a number of questions unanswered. However, several guiding principles remain clear. First, an infringement analysis should be performed by an attorney prior to asserting patent infringement claims or counterclaims. Furthermore, as part of a pre-filing infringement analysis, an attorney should construe the asserted claims and then compare them with the accused product or process. Finally, when possible, an attempt should be made to obtain the accused product, so that it can be compared with the claims of the asserted patent prior to filing. Careful adherence to these standards should minimize the chance that a patent practitioner will find himself or herself on the receiving end of a Rule 11 sanction.⁷⁹



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³ Fed. R. Civ. P. 11.

⁴ See *View Eng'g, Inc. v. Robotic Vision Sys., Inc.*, 208 F.3d 981, 987 (Fed. Cir. 2000).

⁵ *Id.* at 986 (emphasis added).

⁶ A party may also request attorneys' fees resulting from a baseless infringement suit under 35 U.S.C. § 285, which states that "[t]he court in exceptional cases may award reasonable attorney fees to the prevailing party." 35 U.S.C. § 285 (2000); see *Cambridge Products, Ltd v. Naremcro, Inc.*, 962 F.2d 1048, 1050 (Fed. Cir. 1992) (explaining that an award of attorney's fees under 35 U.S.C. § 285 may be upheld if a patentee has litigated its claim in bad faith); *Haynes Int'l Inc. v. Jessop Steel Co.*, 8 F.3d 1573, 1579 (Fed. Cir. 1993) ("A frivolous infringement suit [under section 285] is one which the patentee knew or, on reasonable investigation, should have known, was baseless.").

⁷ Fed. R. Civ. P. 11 (emphasis added). ⁸ *Id.*

⁹ Fed. R. Civ. P. 11(c), advisory committee notes. We note that a Rule 11 motion is itself subject to Rule 11 scrutiny and can, therefore, lead to sanctions.

¹⁰ See Fed. R. Civ. P. 11(c)(1)(A). ¹¹ See *Id.*

¹² The Federal Circuit has recognized that a district court has broad discretion in deciding if Rule 11 sanctions are warranted. For example, in *Power MOSFET Technologies, L.L.C. v. Siemens AG*, the Federal Circuit found that the denial of requests for Rule 11 sanctions was within the district court's discretion, when in its view, the parties to the litigation had been found to have engaged in questionable behavior, including possible discovery abuses, during the proceedings. 378 F.3d 1396, 1415 (Fed. Cir. 2004).

¹³ See *Antionious v. Spalding & Even30 Cos., Inc.*, 275 F.3d 1066, 1072 (Fed. Cir. 2002); see also *Q-Pharma, Inc. v. Andrew Jergens Co.*, 360 F.3d

1295, 1299 (Fed. Cir. 2004).

¹⁴ *Cambridge Products*, 962 F.2d 1048.

¹⁵ *Id.* at 1050. ¹⁶ *Id.*

¹⁷ *S. Bravo Sys., Inc. v. Containment Techs. Corp.*, 96 F.3d 1372 (Fed. Cir. 1996).

¹⁸ *Id.* at 1375. ¹⁹ *Id.*

²⁰ *Judin v. United States*, 110 F.3d 780 (Fed. Cir. 1997).

²¹ The law interpreted in this case was Rule 11, Rules of the Court of Federal Claims ("RCFC"), which is patterned after Rule 11, Fed. R. Civ. P. The Federal Circuit explained that the "precedent illuminating Rule 11, Fed. R. Civ. P. is applicable" in interpreting Rule 11, RCFC. See *Judin*, 110 F.3d at 784.

²² *View Eng'g*, 208 F.3d at 981.

²³ *Id.* at 986 (emphasis added).

²⁴ *Id.* at 982. Under the terms of the protective order, View Engineering's documents could be viewed by outside counsel and outside experts who signed a confidentiality statement. *Id.*

²⁵ *Hoffmann-La Roche Inc. v. Invamed Inc.*, 213 F.3d 1359 (Fed. Cir. 2000).

²⁶ Drug Price Competition and Patent Term Restoration Act of 1984, Pub. L. No. 98-417, 98 Stat. 1585 (1984) (codified as amended at 21 U.S.C. § 355 (2000); 35 U.S.C. §§ 156, 271, 282 (2000)) (the Hatch-Waxman Act).

²⁷ *Hoffmann-La Roche*, 213 F.3d at 1364.

²⁸ *Antionious*, 275 F.3d at 1077.

²⁹ *Id.* at 1073. ³⁰ *Id.* at 1072.

³¹ *Q-Pharma*, 360 F.3d at 1306.

³² *Id.* at 1297 (emphasis added).

³³ *Id.* at 1302-1303 (citations omitted).

³⁴ *Id.* at 1301.

³⁵ *Id.* at 1302 (citation omitted). ³⁶ *Id.* ³⁷ *Id.*

³⁸ *ResQNet.com, Inc. v. Lansa, Inc.*, 382 F. Supp. 2d 424 (S.D.N.Y. 2005). ³⁹ *Id.* at 455.

⁴⁰ *Id.* ⁴¹ *Id.* at 457 (emphasis added).

⁴² *Arrival Star Inc. v. Descartes Sys. Group Inc.*, No. 04-0182, 2004 WL 2496622 at *1 (S.D.N.Y. Nov. 5, 2004). ⁴³ *Id.* at *12. ⁴⁴ *Id.* ⁴⁵ *Id.* at *13.

⁴⁶ *Id.* ⁴⁷ *Q-Pharma*, 360 F.3d at 1302.

⁴⁸ *Antionious*, 275 F.3d at 1072.

⁴⁹ *S. Bravo Sys., Inc.*, 96 F.3d at 1375 (stating that "[i]f the district court finds that Bravo's attorneys conducted no investigation of the factual and legal merits of Bravo's claims other than to rely on Mr. Bravo's lay opinion that CTC was infringing the '024 patent, it would be difficult to avoid the conclusion that sanctions are appropriate.").

⁵⁰ *Antionious*, 275 F.3d at 1072.

⁵¹ *Id.* ⁵² *Id.* ⁵³ *Id.* at 1073.

⁵⁴ *Phillips v. AWH Corp.*, 415 F.3d 1303 (Fed. Cir. 2005) (en banc).

⁵⁵ *Q-Pharma*, 360 F.3d at 1301.

⁵⁶ *Id.* (noting that "the owner, inventor, and/or drafter of a patent ought to have a clear idea of what the patent covers without the formality of a claim chart.").

⁵⁷ *Antionious*, 275 F.3d at 1073.

⁵⁸ *Id.* at 1074 (explaining that "an attorney violates Rule 11(b)(3) when an objectively reasonable attorney would not believe, based on some actual evidence uncovered during the pre-filing investigation, that each claim limitation reads on the accused device either literally or under the doctrine of equivalents.").

⁵⁹ *Id.* ⁶⁰ *Judin*, 110 F.3d at 784.

⁶¹ *Q-Pharma, Inc.*, 360 F.3d at 1302. ⁶² *Id.*

⁶³ *View Eng'g*, 208 F.3d at 986.

⁶⁴ *Antionious*, 275 F.3d at 1073. ⁶⁵ *Id.* at 1076.

⁶⁶ *Id.* at 1075 (emphasis added).

⁶⁷ *Judin*, 110 F.3d at 784.

⁶⁸ See *supra* note 26. ⁶⁹ *Id.*

⁷⁰ *Hoffmann-La Roche*, 213 F.3d 1359.

⁷¹ *Id.* at 1363. ⁷² *Id.* at 1364. ⁷³ *Id.* ⁷⁴ *Id.*

⁷⁵ *Cambridge Products*, 962 F.2d at 1048.

⁷⁶ *Id.* at 1050.

⁷⁷ See *Q-Pharma, Inc.*, 360 F.3d 1295.

⁷⁸ See *Id.* at 1303.

⁷⁹ The authors would like to thank Ms. Sonja Manly for her invaluable assistance in preparing this paper.

Willful Infringement: What Role Does An Opinion Of Counsel Play?

By Ira J. Schaefer & Arun Chandra*

With the increased importance of intellectual property, it is not surprising that there has been a continual increase in patent infringement suits being filed. One primary catalyst for this renewed interest is the increasing size of verdicts, which may be further amplified in the event of willful infringement. Indeed, when infringement is willful, compensatory damages may be trebled¹ and the prevailing patentee awarded attorney's fees.²

To rebut a charge of willful infringement, the accused infringer must demonstrate that – under the given circumstances – he satisfactorily discharged his affirmative duty of exercising due care to avoid patent infringement.³ Traditionally, an opinion letter was necessary to rebut a charge of willful infringement,⁴ and a failure to introduce evidence of an exculpatory opinion of counsel resulted in a negative inference.⁵ However, in *Knorr-Bremse Systeme Für Nutzfahrzeuge GmbH v. Dana Corp.*,⁶ the U.S. Court of Appeals for the Federal Circuit (hereinafter Federal Circuit) reversed that long-standing precedent.⁷ *Knorr-Bremse*, however, did not answer the question of “whether the trier of fact, particularly a jury, can or should be told whether or not counsel was consulted (albeit without any inference as to the nature of the advice received) as part of the totality of the circumstances relevant to the question of willful infringement.”⁸ Also left unanswered was what role opinions of counsel should play in a patent infringement suit.⁹ A very recent Federal Circuit decision provides some guidance.¹⁰

General State of Law After *Knorr-Bremse*

Knorr-Bremse held that no adverse inference should result from a party's failure to consult counsel or invocation of attorney-client privilege. Of course, where “a potential infringer has actual notice of another's patent rights, he has an affirmative duty to exercise due care to determine whether or not he is infringing.”¹¹

Patent infringement is willful if, at the time of the infringing activity, the accused infringer has no reasonable basis for believing that he has a right to practice the patented invention.¹² In determining whether there was a reasonable basis, courts apply a “totality of the circumstances” test¹³, taking into account the alleged infringer's conduct, intent and adherence to the duty of care. This requires looking at “exculpatory evidence as well as evidence tending to show deliberate disregard of [the patentee's] rights.”¹⁴ Thus, a court must compare factors rendering the infringer's conduct more culpable with factors that are mitigating.¹⁵ While the relevant factors may vary from case-to-case, the Federal Circuit has suggested

considering the following factors: deliberate copying by the accused infringer, the infringer's investigation and good faith belief of invalidity or non-infringement, litigation conduct by the accused infringer, the duration of the infringer's misconduct, the extent of any remedial actions taken by the infringer, the infringer's motivation for harm and the infringer's attempt to conceal its misconduct.¹⁶

Golden Blount, Inc. v. Robert H. Peterson Co.

a. The District Court Findings

In *Golden Blount*, the district court found that the defendant, Robert H. Peterson Co., willfully infringed Golden Blount's patent related to fireplace burners.¹⁷ The district court's finding was based on the fact “that in the two and one-half years after Peterson received notice of the patent, Peterson never obtained a written opinion of counsel.”¹⁸ Instead, Peterson obtained oral opinions which “were rendered without counsel having examined either the patent's prosecution history or the accused device.”¹⁹ The district court was further troubled by Peterson's reliance on its counsel's opinion based on the unproven representation of its employee that the invention had been around for twenty to thirty years, while doing little to determine whether it was truly infringing or not, until after suit was filed.²⁰ The district court concluded that Peterson was unconcerned about paying damages, because the infringement lawsuit was not “a very meaningful case dollarwise.”²¹

The district court found that the opinions were “to be used only as an illusory shield against a later charge of willful infringement, rather than in a good faith attempt to avoid infringing another's patent.”²² Based on these facts, Peterson's infringement was found to be willful and Golden Blount was awarded treble damages and attorney's fees.²³

b. The Federal Circuit Affirmance

Peterson challenged the district court's finding of willful infringement on two grounds. First, Peterson argued that the district court improperly drew an adverse inference prohibited by *Knorr-Bremse*. Second, Peterson argued that contrary to the district court's finding, it did not act in reckless disregard of the patent despite its failure to obtain a written opinion of counsel, because it held a reasonable, good-faith belief that it did not directly infringe or induce infringement.

Regarding its first argument, Peterson contended that “it had no duty to seek an opinion of counsel (let alone

a competent opinion), and that the district court could not consider whether it obtained an opinion of counsel in evaluating whether it discharged its duty of due care.”²⁴ Thus, while the lack of a competent opinion might leave it at a disadvantage in disproving willfulness, Peterson contended that this fact could not help Golden Blount make out a *prima facie* case that Peterson acted willfully. That is, because the district court must disregard the opinion-related evidence, the only affirmative evidence of willfulness—that Peterson was motivated by a desire to avoid paying attorney’s fees to Golden Blount if found to willfully infringe—could not prove reckless conduct.²⁵ The Federal Circuit disagreed.

The Federal Circuit noted that the district court did not infer—as prohibited by *Knorr-Bremse*—that if Peterson had obtained a competent opinion regarding the asserted patent, such opinion would have been unfavorable to Peterson. Instead, the district court’s finding of reckless disregard of Golden Blount’s patent rights by Peterson was based on all of the facts presented by Golden Blount which included evidence regarding “the legal infirmities of the several oral opinions that Peterson obtained.”²⁶ The Federal Circuit concluded that the competence of those oral opinions and the surrounding facts were relevant to the willfulness issue and properly considered by the district court in addition to the other evidence.²⁷

Regarding its second argument, Peterson contended that it did not act in reckless disregard of the patent because it held a reasonable, good-faith belief that it did not directly infringe and that its user instructions did not induce infringement. The Federal Circuit rejected this argument, in part, because “Peterson made little-to-no effort to assess whether it infringed or whether the patent was invalid after receiving notice of the patent.”²⁸ It noted that the district court did not “clearly err” in (1) according little weight to the first two oral opinions because Peterson’s patent attorney did not review the prosecution history or the accused device when the opinions were given, (2) criticizing Peterson’s reliance on the unproven representation of its employee that the invention had been around for twenty to thirty years, and (3) in inferring that Peterson demonstrated a cavalier attitude toward Golden Blount’s patent rights by failing to respond substantively to Golden Blount’s notice letters and seeking a thorough opinion of counsel only after suit was filed for the sole purpose of avoiding a willfulness finding.²⁹

Where Do We Stand Now

After *Knorr-Bremse* and *Golden Blount*, a potential infringer with actual notice of a patent still has an affirmative duty to exercise due care to determine whether or not he is infringing.³⁰ Because this duty of care is premised on a “totality of the circumstances,” *Golden*

Blount makes it clear that there are plenty of reasons for accused infringers to worry about willful infringement.

The accused infringer’s state of mind at the time of the alleged infringement or the date on which he becomes aware of a patent remains highly relevant.³¹ Thus, as a practical matter, written opinions are still very helpful in avoiding willful infringement liability.³² Indeed, evidence of an infringer’s reliance on a well reasoned and timely opinion of counsel remains the best way to establish one’s belief that his actions were lawful. Moreover, while no adverse inference results from failure to consult counsel after becoming aware of a patent, a plaintiff may nevertheless inform the factfinder about the infringer’s failure to consult counsel as part of evidence evincing infringer’s lack of due care.³³ Thus, despite *Knorr-Bremse*, an accused infringer fails to obtain a written opinion of counsel at his own peril.

Merely obtaining an opinion of counsel is not sufficient, however. In the authors’ view, the result would have been the same in *Golden Blount* if Peterson’s counsel’s opinion had been written instead of oral, given the fact that the prosecution history was not consulted and the accused device was not reviewed. The opinion letter must be “thorough enough, as combined with other factors, to instill a belief in the infringer that a court might reasonably hold the patent is invalid, not infringed, or unenforceable.”³⁴ A district court judge has succinctly summarized the factors to examine:

when the infringer sought counsel’s advice (before or after commencing the infringing activities); the infringer’s knowledge of the attorney’s independence, skill and competence; the infringer’s knowledge of the nature and extent of analysis performed by counsel in providing the opinion; and whether the opinion contains sufficient internal indicia of credibility, including a validity analysis predicated on a review of the file histories, and an infringement analysis that compares and contrasts the potentially infringing method or apparatus with the patented inventions.³⁵

Furthermore, as highlighted by *Golden Blount*, the opinion letter must be obtained as soon as one becomes aware of a patent potentially being infringed. This is because courts are likely to be skeptical of an opinion that suggests that the accused infringer intended to use it only to fight a charge of willful infringement rather than as a good faith attempt to avoid continued infringement.

It goes without saying that if an opinion of counsel is unfavorable, it can still be beneficial to the accused infringer. During litigation and at trial, the accused infringer remains free to invoke attorney-client privilege and refuse to reveal the contents of an unfavorable opinion of counsel from which no inference can

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be drawn. Thus, at the very least, having an opinion of counsel gives the accused infringer an important choice in litigation strategy.

Conclusion

After *Knorr-Bremse* and *Golden Blount*, while no adverse inference results from a party's failure to consult counsel, such failure can still be revealed to the trier of fact. Therefore, where an accused infringer is charged with willful infringement, a timely opinion of counsel remains a strong piece of evidence in refuting the charge.

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litigation. The views expressed herein are the personal views of the authors and do not necessarily reflect those of their firm or the firm's clients.

¹ 35 U.S.C. § 284 (“[T]he court may increase the damages up to three times the amount found.”).

² 35 U.S.C. § 285 (“The court in exceptional cases may award reasonable attorney fees to the prevailing party.”).

³ See *Crystal Semiconductor Corp. v. Tritech Microelectronics Int’l, Inc.*, 246 F.3d 1336, 1351 (Fed. Cir. 2001).

⁴ See *Vulcan Eng’g Co., Inc. v. FATA Aluminum, Inc.*, 278 F.3d 1366, 1378 (Fed. Cir. 2002) (“The tort of willful infringement arises upon deliberate disregard for the property rights of the patentee. Thus the focus is generally on whether the infringer exercised due care to avoid infringement, usually by seeking the advice of competent and objective counsel, and receiving exculpatory advice.”); *Minnesota Min. and Mfg. v. Johnson & Johnson Orthopaedics, Inc.*, 976 F.2d 1559, 1580 (Fed. Cir. 1992) (noting that defendant had no reasonable basis to rely on oral opinion because it was oral and not objective, and because oral opinions “carry less weight, for example, because they have to be proved perhaps years after the event, based only on testimony which may be affected by faded memories and the forces of contemporaneous litigation.”).

⁵ *Fromson v. Western Litho Plate and Supply Co.*, 853 F.2d 1568, 1572-73 (Fed. Cir. 1988) (“Where the infringer fails to introduce an exculpatory opinion of counsel at trial, a court must be free to infer that either no opinion was obtained or, if an opinion were obtained, it was contrary to the infringer’s desire to initiate or continue its use of the patentee’s invention.”).

⁶ 383 F.3d 1337 (Fed. Cir. 2004). Because

Knorr-Bremse has been amply discussed by legal experts, this article does not provide an in-depth discussion of its facts.

⁷ *Id.* at 1341 (holding “that no adverse inference that an opinion of counsel was or would have been unfavorable flows from an alleged infringer’s failure to obtain or produce an exculpatory opinion of counsel.”).

⁸ *Knorr-Bremse*, 383 F.3d at 1346-47.

⁹ *Id.* at 1352 (Dyk, J., concurring-in-part and dissenting-in-part).

¹⁰ *Golden Blount, Inc. v. Robert H. Peterson Co.*, --- F.3d ---, 2006 WL 335607 (Fed. Cir. Feb. 15, 2006).

¹¹ *Knorr-Bremse*, 383 F.3d at 1343 (quoting *Underwater Devices, Inc. v. Morrison-Knudsen Co.*, 717 F.2d 1380, 1389-90 (Fed. Cir. 1983)); see also *L.A. Gear Inc. v. Thom McAn Shoe Co.*, 988 F.2d 1117, 1127 (Fed. Cir. 1993).

¹² See *Stickle v. Heublein, Inc.*, 716 F.2d 1550, 1665 (Fed. Cir. 1983).

¹³ *Knorr-Bremse*, 383 F.3d at 1342-43.

¹⁴ See *Comark Comm., Inc. v. Harris Corp.*, 156 F.3d 1182, 1190 (Fed. Cir. 1998).

¹⁵ See *Read Corp. v. Portec Inc.*, 970 F.2d 816, 826 (Fed. Cir. 1992).

¹⁶ *Id.* at 826-27.

¹⁷ 2006 WL 335607, at *1.

¹⁸ *Id.* at *9. ¹⁹ *Id.* ²⁰ *Id.*

²¹ *Id.* (internal citations omitted).

²² *Id.* (internal citations omitted).

²³ *Id.* at *1-2.

²⁴ *Id.* at *10.

²⁵ *Id.* ²⁶ *Id.* at *12.

²⁷ *Id.* ²⁸ *Id.* ²⁹ *Id.*

³⁰ *Knorr-Bremse*, 383 F.3d at 1343; *Golden Blount*, 2006 WL 335607, at *10.

³¹ See *Jurgens v. McKasy*, 927 F.2d 1552, 1562 (Fed. Cir. 1991); accord *Odetics, Inc. v. Storage Technology Corp.*, 185 F.3d 1259, 1276 (Fed. Cir. 1999) (“The proper time to assess willfulness is at the time the infringer received notice.”).

³² See Ryan H. Coletti, Comment, *Neither Good Knorr Bad: The Federal Circuit’s Decision To Eliminate The “Adverse Inference” In Willful Infringement Determinations Does Not Alleviate The Burden On Accused Patent Infringers*, 1 Seton Hall Cir. Rev. 269, 294-95 (2005); Mark A. Lemley & Ragesh K. Tangri, Ending Patent Law’s Willfulness Game, 18 Berkeley Tech. L.J. 1085, 1115 (2003) (predicting, pre-*Knorr-Bremse*, that while elimination of “adverse inference from failure to disclose an opinion of counsel may be a good idea, . . . [t]he defendant’s best hope of avoiding liability for willfulness is to rely on the advice of counsel.”).

³³ See *Knorr-Bremse*, 383 F.3d at 1346-47 (declining to rule on “the question of whether the trier of fact, particularly a jury, can or should be told whether or not counsel was consulted (albeit without any inference as to the nature of the advice received) as part of the totality of the circumstances relevant to the question of willful infringement.”); *Underwater Devices, Inc. v. Morrison-Knudsen Co.*, 717 F.2d 1380, 1389-90 (Fed. Cir. 1983) (allowing a plaintiff to inform the trier of fact that the accused infringer failed to consult legal counsel).

³⁴ *Ortho Pharm. Corp. v. Smith*, 959 F.2d 936, 944 (Fed. Cir. 1992).

³⁵ *Thorn EMI North America Inc. v. Micron Technology, Inc.*, 837 F.Supp. 616, 620 (D. Del. 1993).

"As Time Goes By - Spring Four Forward!"

by Dale Carlson

In our last column, we day-dreamed about the Fall CLE program held on Veterans' day weekend in 1984. Springing forward by six months from then, we catch a glimpse of the results achieved when our Association, together with three sister associations, put their heads together to co-sponsor a Spring seminar. The day of the first seminar was May 7, 1985, and the forum the Penta Hotel, then located right across from Penn Station in Manhattan.

The "First Annual Joint Patent Seminar" kicked off an annual tradition that has been carried forward by the four sponsoring associations every year since. We may wonder why it was called a "patent" (as opposed to "IP") seminar. Although the "IP" moniker is all the rage now, back in 1985 the New Jersey, Philadelphia, and Connecticut counterparts to our organization were all known as "patent law" associations. Accordingly, it stood to reason that the event was limited to patent topics.

The inaugural event had a further twist: it focused on "chemical patent practice". Why so? Perhaps the reason is that back then there was a huge chemical company presence in our region. In fact, sixteen of them had speakers at the first seminar.

The 1985 gathering was noteworthy for the brevity of the time allotted for the speakers' presentations - a maximum of five minutes each. That time constraint meant that the speaker needed to drive their point home with one or two "take away" gems relating to their assigned topic. After the first year, the allotted time was upped to ten minutes, rendering the speakers' job more manageable.

Each presentation was accompanied by a six page paper incorporated into a hand-out book given to each seminar attendee. The effort that goes into preparing such a paper on any topic, particularly an assigned one, and then boil it down into a brief presentation before a large group of patent-experienced peers, is often more than meets the eye.

Back in 1985, word processing systems were in their infancy. Typewriters were still the "order-of-the-day", albeit electric ones. Typographical errors were easier to come by, and harder to correct, than they are now - with the convenience of "spell check"



Dale A. Carlson, a partner at Wiggin & Dana, is the Chair of the Committee on License to Practice Requirements.

systems and the ability to make changes without re-typing the whole document.

For many years, one particularly-vital member of our Association, Frank Morris, painstakingly reviewed each of the submitted papers for typos and bad cites. Then he personally called each author to discuss his findings. Frank's contribution helped insure that the quality of each hand-out was first rate. In addition to his "quality control" oversight, Frank has been a speaker at many of these seminars.

At the inaugural event, Association member Charlie Baker gave an inspiring rendition about practical considerations underlying discretionary scientific experiments for use as evidence at trial. In weighing the risks associated with doing these optional experiments, Charlie contrasted the "one test is worth a thousand experiments" upside opportunity with the "if something can go wrong, it will" downside risk labeled Murphy's Law. To illustrate his point, Charlie alluded to a "chicken plucker" case wherein a prior art device built by the alleged infringer not only plucked the chickens' feathers but also decapitated the chickens, and destroyed their commercial value. This graphic example brought its point home to roost in the audience's imagination.

The early seminar planners, spear-headed by Past Presidents Ed Filardi and David Kane, had in mind the idea to vary the location of the seminar to fit the geographic location of the hosting organization. Our Association hosted the first year's event. The 1987 event, and several later ones, were held at the Union League Club in Center City, Philadelphia, thanks to the good graces of one of that club's members, John Child, Jr. The Union League Club's gatherings were memorable for their hospitable and genteel amenities, including a full, sit-down breakfast for all seminar speakers.

In recent years, the four associations agreed that the event should be in Manhattan each year going forward. This might be partly due to its being the geographic center of gravity for the four associations, and partly due to deference to the Big Apple in the after-math of 9/11.

Thanks to the hard-work and vision of our Association's Second Vice-President, Anthony Giaccio, all of the past seminar programs are available on the Joint Patent Practice Continuing Legal Education website - www.jppcle.org. Also posted is this year's program, which is to be held at the Marriott Marquis Hotel at Times Square on May 3rd. Like the earlier programs, this year's promises to be an outstanding educational event. Hope to see you there!

"The New York Parent Education and Awareness Program-How the Court System is Succeeding in Protecting Children Whose Parents are Going Through Divorce, Separation or Other Child-Centered Litigation"

You do not have to know someone who is undergoing a separation, divorce or other child-centered litigation, you do not have to experience it yourself, nor do you have to view the recent film entitled "Squid and the Whale" to recognize that putting children in the middle of the adult conflict can be detrimental to their health and well-being.

New York State's Chief Judge, Judith S. Kaye, announced in her 2001 State of the Judiciary Address an initiative to institutionalize parent education for separating and divorcing parents. A 19-member advisory board was created to oversee this process. The Advisory Board is comprised of individuals from across New York State and includes representatives in the fields of pediatrics, child psychiatry and psychology, social work, and family life science, as well as matrimonial attorney and law guardian, and Family Court, Supreme Court and Appellate Division judges.

What is the New York State Parent Education and Awareness Program? It is a program designed to educate divorcing or separating parents about the impact of their breakup on their children. The primary goal is to teach parents ways they can reduce the stress of family changes and protect their children from the negative effects of ongoing parental conflict in order to foster and promote their children's healthy adjustment and development.

How do I learn more about the Parent Education and Awareness Program? Following the guidelines developed

by the Advisory Board, the Office of Court Administration certifies and monitors local providers of such services who wish to accept court-referred participants. The New York State Parent Education and Awareness Program has a website at www.nycourts.gov/ip/parent-ed. It contains all of the guidelines and procedures for certification, and all of the forms that the providers of the program must use. There are currently 48 certified parent education providers in 38 counties offering classes in 58 locations.

❖ ❖ ❖

This is just a brief overview of the current status of The New York State Parent Education and Awareness Program. Experience and research have shown that parent education does make a positive difference for children and their parents who are experiencing divorce or separation and it can help bring about a reduced need for court intervention. Currently, parent education is available in 38 counties. We are working to make parent education available in the remaining 24 counties in New York State. If your county or area does not have a parent education program and you have some suggestions as to potential providers, you can contact the Program by e-mail at nyparent-ed@courts.state.ny.us or at the toll-free number at 888-809-2798, or by mail at the Parent Education Board, 140 Grand Street, Suite 701, White Plains, New York 10601. Also, you can locate information about parent education at the parent education website at www.nycourts.gov/ip/parent-ed. Finally, please tell parents about this important program-it can make all the difference in the lives of children and parents in this State.

ARTICLES

**The Association welcomes
articles of interest to the IP bar.**

Please direct any submissions

by e-mail to:

**Ashe P. Puri, Bulletin Editor, at
asheesh.puri@ropesgray.com**

Wednesday, May 24, 2006

**NYIPLA Annual Meeting & Awards Dinner
Princeton-Columbia Club
15 West 43rd Street, NY, NY (New Location)
Please Note: The Reception will be held in
the Prospect Lounge and
Dinner in the James Madison Room.**

**The two separate rooms will lend itself to
more space and comfort for all attendees
and provide an excellent opportunity to meet
old friends and welcome the 2006-2007
NYIPLA Officers and Board.**

Two Statutory Paths To Recovery of Design Patent Infringement Damages

By Stephen Kampmeier¹

I. The Patent Statute Today

In the United States, monetary remedies for patent infringement are codified at 35 U.S.C. §§ 284 (damages²) and 285 (attorney fees). An *additional* remedy is provided to design patentees in 35 U.S.C. § 289 (infringer's total profit).³ Thus, the design patentee has a choice between two distinct statutory paths to recovery: damages suffered as a result of the infringement (under § 284), or the infringer's total profit (under § 289). In contrast, an infringed utility patentee has only one path to recovery: damages suffered as a result of the infringement (under § 284).

The design patentee's choice is fairly straightforward: where will the larger recovery be had, under 35 U.S.C. §§ 284 or 289? Patentee's counsel need only calculate what the recovery would be under each section and then select accordingly.

But, what happens if, through the sale of a single unitary product, both a utility patent *and* a design patent are infringed? Is recovery simply the sum of damages suffered by patentee for the infringement of both patents (damages *and* infringer's total profit)? If recovery is not cumulative (or read the other way, if the punishment is not directly proportional to how much is taken), in the infringer's mind, does it not then make sense to knock off the patented product lock, stock *and* barrel? The factors involved in the choice of which statutory path to take when both a utility patent *and* a design patent are infringed by the sale of a unitary product is the subject of this article.

II. The Evolution of Remedies for Patent Infringement

The earliest patent statutes in this country awarded a patentee compensatory damages at law from among: (i) jury awards of damages proven, [the Act of 1790] (ii) threefold the patentee's sale or licensing price [the Act of 1793], or (iii) threefold the actual damage sustained by patentee [the Act of 1800].⁴ The damages at law are focused on the loss to the patentee, that is, actual damages as established by the patentee or the loss of a patentee's putative, reasonable, licensing fee.

Awards of infringer's profits evolved in courts of equity and could not be increased.⁵ Equitable remedies for patent infringement were introduced in this country in 1819 (injunction) and 1836 (infringer's profits).⁶ Damages in the context of equity shift the focus onto the infringer. The equitable remedy of injunction compels the infringer to stop the complained of act, and recovery of infringer's profits removes the incentive to

infringe when all advantage gained has to be returned to its rightful owner.

Congress enacted the design patent law in 1842, and the remedies paralleled those for utility patentees.⁷ But where recovery proved difficult for utility patentees, it proved especially difficult --if not impracticable-- for design patentees. The courts of this period required plaintiff to establish what portion of the profits were attributable to the infringement (and to deduct the part that wasn't) in a calculation known as apportionment. Where utility might clearly be a significant factor in the purchase of an object (and therefore a significant factor in the profits generated), it was very difficult, if not impossible to accurately measure what role ornamentality played in the purchasing decision.

In 1870, Congress amended the Patent Act⁸ to authorize the award in equity of an injunction, infringer's profits, *and* damages (where 'damages' was held by *Birdsall v. Coolidge*, 93 U.S. 64, 69 (1876), to mean an additional sum to address the situation where the injury was greater than infringer's profits). But this still left difficult choices for infringed patentees.

Patentee's recovery of infringer's profits was often hamstrung by infringer's ability to manipulate its accounting records to reflect minimum profit. The Court of Appeals for the Federal Circuit⁹ sees in *Birdsall* a recognition that choosing between remedies at law or remedies in equity was a poor choice because the difficulty of establishing an accurate accounting often made recovery in equity overly complex. The Supreme Court deemed infringer's obfuscation and accounting tricks a "manifest injustice" to complainant.¹⁰

In the late 19th century, Congress created a separate remedy for design patentees to overcome the difficulty of apportionment.¹¹ The provision allowing a design patentee to recover an infringer's total profit without apportionment was introduced by the Act of 1887, and is preserved today in § 289. Rather than restricting recovery to the unquantifiable number that represented the profits arising solely from use of the infringed design patent, the new remedy awarded \$250 and any excess profit over and above that sum, recoverable at law or in equity, for each instance of infringement. The law has developed so that there is no longer a division between law and equity, although the melody lingers on.

In the mid 20th century, for reasons not entirely clear, Congress demarcated the type of remedies available for patent infringement.¹² Under § 284's predecessor, patentee's damages *and* infringer's profits had been recoverable:

cont. on page 16

“[U]pon a decree being rendered in any such case for infringement the complainant shall be entitled to recover, in addition to the profits to be accounted for by the defendant, the damages the complainant has sustained thereby” R.S. § 4921, as amended 42 Stat 392.

With the 1946 Amendment to R.S. § 4921, Congress removed infringer’s profits from what eventually became § 284. Thus, now two clearly different statutory paths were created: one offering damages to both utility and design patentees (35 U.S.C. § 284) and one offering infringer’s profit to design patentees only (35 U.S.C. § 289).

III. Recovery under 35 U.S.C. §§ 284 and 289 Today

The recovery of infringer’s total profit in § 289 is supplemented by permissive recovery of “any other remedy which an owner of an infringed patent has under [35 U.S.C.]” but is also capped by the statutory restriction that “[patentee] shall not twice recover the profit made from the infringements.” 35 U.S.C. § 289. Twice the profit under § 289 has been interpreted in the case law to prohibit recovery of damages *and* infringer’s profit. See *Henry Hanger & Display Fixture Corp. v. Sel-O-Rak Corp.*, 270 F.2d 635 (5th Cir. 1959), cited in *Bergstrom v. Sears, Roebuck & Co.*, 496 F. Supp. 476, 494 (D. Minn. 1980).¹³ The *Bergstrom* court also ruled out recovery of damages in the form of a reasonable royalty *and* infringer’s profits. *Bergstrom*, 496 F. Supp. at 496.

This cap on recovery in § 289 stands in contrast to the expansive language of 35 U.S.C. § 284, “the court may increase the damages up to three times the amount found or assessed.” In § 284, a floor on recovery, as opposed to a ceiling, was written into the statute: the damages recoverable must be “adequate to compensate for the infringement but in no event less than a reasonable royalty.” Although § 289 was enacted to afford design patentees a more certain form of recovery than previously existed, § 289’s statutory cap on recovery may account for the relatively few reported cases based wholly on what Congress entitled an “Additional Remedy for Infringement of a Design Patent.”

Two Federal Circuit decisions separated by a decade shed some light on the interplay between 35 U.S.C. §§ 284 and 289.

In *Braun, Inc. v. Dynamic Corp.*, 975 F.2d 815, 824, 24 U.S.P.Q.2d 1121 (Fed. Cir. 1992), a case for infringement of a design patent, the Federal Circuit compared § 284 and § 289. It found that the District Court below had combined what Congress intended to keep separate when it held that there was little difference between damages under 35 U.S.C. § 284 and profits under 35 U.S.C. § 289:

this analysis ignores the longstanding distinction in patent law between damages and profits. In sum, recovery of compensatory damages for infringement evolved in courts of law and could be increased, but recovery of an infringer’s profits evolved in courts of equity and could not be increased. . . . For instance, although a utility patentee could recover an infringer’s profit prior to 1946, just as a design patentee may do so today, courts uniformly held that the infringer’s profit could not be increased. . . . In *Aro Manufacturing Co. v. Convertible Top Replacement Co.*, 377 U.S. 476, 505 (1964), the Supreme Court further distinguished damages from profits by explicitly holding that only damages were recoverable under 35 U.S.C. § 284.

Braun, 975 F.2d at 824. The *Braun* Court held that enhanced damages under § 284, specifically treble damages, were not recoverable where plaintiff sought recovery under § 289 (not § 284) and where such recovery would “twice recover the profit” in violation of § 289.¹⁴

In *Catalina Lighting Inc. v. Lamps Plus, Inc.*, 295 F.3d 1277 (Fed. Cir. 2002), the Federal Circuit held that, where both a utility *and* a design patent were infringed by the sale of a single product [tree torchiere lamps (“pole lamps”)], recovery of infringer’s profits under § 289 was permissible, but no full recovery under § 284 could be had because plaintiff “is not entitled to dual damages resulting from the same act,” citing *CPG Prods. Corp. v. Pegasus Luggage, Inc.*, 776 F.2d 1007, 1014 n. 4 (Fed. Cir. 1985).

The *Catalina* court focused on the conduct that damaged the patentee and infringed the patents:

Each sale constitutes an infringement of the . . . utility patent because “whoever without authority makes, uses, offers to sell or sells any patented invention” is an infringer. 35 U.S.C. § 271(a) (1994). Likewise, the

NYIPLA CLE Program Cited in U.S. District Court Opinion:

A CLE Program sponsored by the NYIPLA on January 13, 2006, entitled

“Ruminations on the Vanishing Trial:

The Role of the Federal Circuit and the Fact Law Distinction”, was cited by the Honorable William G. Young, U.S. District Judge, District of Massachusetts, in *Delaventura v. Columbia Acorn Trust*, No. 05-10793-WGY, at *14 (D. Mass. Feb. 1, 2006).

Further information about this CLE Program can be found in the Jan/Feb 2006 issue of the Bulletin.

same sale constitutes an infringement of the ...design patent. *Id.* § 289 (permitting the award of infringer profits from someone who “applies the patented design...for the purpose of sale” or “sells or exposes for sale any article of manufacture to which such design or colorable imitation has been applied.”). Lamps Plus is entitled to damages for each infringement, but once it receives profits under § 289 for each sale, Lamps Plus is not entitled to a further recovery from the same sale because the award of infringer profits under § 289 also constitutes “damages adequate to compensate for the infringement, but no less than a reasonable royalty for the use made of the invention by the infringer.” *Id.* § 284

Catalina, 295 F.3d at 1291. Where both a utility patent and a design patent have been found to be infringed by a single product or where only a design patent has been infringed, the patentee must elect his remedy in damages or infringer’s total profit, either pursuant primarily to §§ 284 or 289, but not both.

Next, remedies under both sections must be compared to determine which is more desirable. In *Catalina*, the reasonable royalty (§ 284) was determined to be at least \$660,000. Infringer’s profits (§ 289) were determined to be \$767,942. The recovery of the latter would satisfy § 289, and more than satisfy § 284 (“damages adequate to compensate for the infringement, but in no event less than reasonable royalty”).¹⁵

So plaintiff could recover profits from *Catalina*, and profits from *Catalina*’s co-defendant, Home Depot. (This is the lesson from *Bergstrom*, namely that profits from the infringing manufacturer and infringing retail seller are recoverable.) In *Catalina*, the award of prejudgment interest (available under § 284 “together with interest and costs as fixed by the court”) increased patentee’s recovery even more, and was permissible because “nothing in [§ 289] shall prevent, lessen, or impeach any other remedy which an owner of an infringed patent has under the provisions of this title.” *Catalina*, 295 F.3d at 1290. The court awarded infringer profits plus prejudgment interest against *Catalina* in the amount of \$316,223.92, and infringer profits plus prejudgment interest against Home Depot in the amount of \$562,090.49.

Thus, *Catalina* teaches that when both a design and utility patent are infringed for the same product, the patentee may recover only once for each sale of that product. Counsel representing the holder of infringed design and utility patents best serves the client by calculating the potential recovery under §§ 284 and 289, and then electing the larger of the resulting sums with a claim to interest and costs available under § 284.

IV. Conclusion

As this discussion of the two paths to recovery

under the patent statute has shown, rather than thinking of their interplay as a zero-sum game, the better counsel is to compare recovery under both sections, and to be flexible as to which section (and even which parts of which section) to rely on depending on the facts of the case. While the statute does not permit recovery of patentee’s damages and infringer’s profits, it is flexible in allowing a recovery under § 289 and the interest and costs available under § 284. Even though recovery is not cumulative for each patent infringed, the risk of treble damages, costs and/or fees under § 284, and attorney fees in “exceptional” cases under § 285 presumably grows with each additional patent proved valid, enforceable and infringed, thus serving as a disincentive to egregiously willful patent infringers.



¹ Stephen F. Kampmeier is an associate at Jones Day. Mr. Kampmeier would like to thank the members of the NYIPLA Design Committee for their assistance in the preparation of this article, including Philip T. Shannon (Chair, Design Committee), Gary Abelev, Mary Ann C. Ball, David I. Greenbaum, Efi Harari, Karen G. Horowitz, James Prizant, and David Weild III.

² “In patent nomenclature what the infringer makes is ‘profits’, what the owner of the patent loses by such infringement is damages.” *Duplate*

Corp. v. Triplex Safety Glass Co., 298 U.S. 448, 451 (1936).

³ *Chisum on Patents: A Treatise on the Law of Patentability, Validity, and Infringement*, § 20.03[5].

⁴ *Nike, Inc. v. Wal-Mart Stores, Inc. and Hawe Yue, Inc.*, 138 F.3d 1437, 1440 (Fed. Cir. 1998), cert. den. 528 U.S. 946 (1999).

⁵ *Braun, Inc. v. Dynamic Corp.*, 975 F.2d 815, 824 (Fed. Cir. 1992); *Birdsall v. Coolidge*, 93 U.S. 64, 68-70 (1876).

⁶ See *Nike*, 138 F.3d at 1440.

⁷ See *Chisum*, supra note 3.

⁸ See *Nike*, 138 F.3d at 1440. ⁹ See *id.*

¹⁰ One contemporary court noted, “Of course, when lawyers put their minds to it, they can complicate anything, but that is not the test” when commenting on whether damages under § 289 would be unusually complex. *Real v. Bunn-O-Matic Corp.*, 195 F.R.D. 618, 622 (N.D. Ill. 2000).

¹¹ The House Report borrowed from trademark law to explain why Congress was affording this new protection to design patentees. Stating that “it is the design that sells the article,” the amended law intended to protect “the good will the design has in the market.” H. R. Rep. No. 1966 at 1 (1886), reprinted in 18 Cong. Rec. 834 (1887), cited in *Nike*, 138 F.3d at 1441.

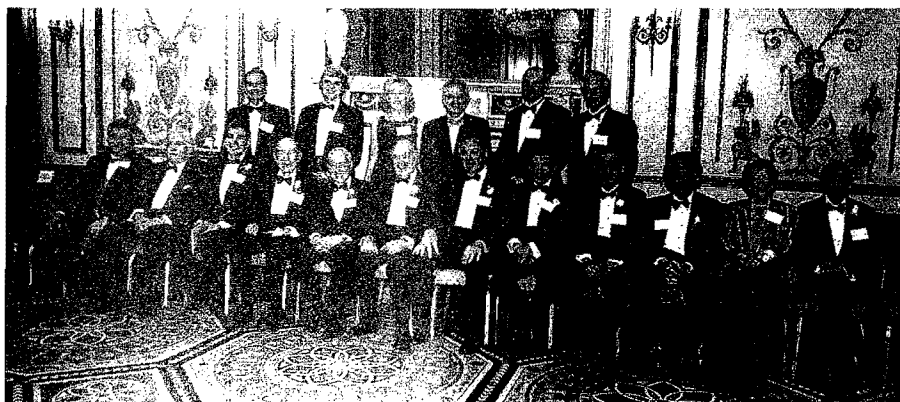
¹² For a further discussion, see *Chisum* § 20.03[5] at 20-531.

¹³ The *Bergstrom* court did however conclude that a design patentee can recover “the profits of not only the manufacturer or producer of an infringing article, but also the profits of other sellers in the chain of distribution.” *Bergstrom*, 496 F. Supp. at 496. “Total profit” in § 289 was read to mean the total profit of whoever (manufacturer and retail seller) infringes the design.

¹⁴ *Braun*, 975 F.2d at 824.

¹⁵ Not everyone agrees. See Peter D. Haroldson, Note, *Catalina Lighting, Inc. v. Lamps Plus, Inc.: Shedding Light On Recovery When A Design Patent and Utility Patent Are Infringed By A Single Act*, 5 Tul. J. Tech & Intell. Prop. 153 (Spring, 2003) (focusing on whether infringing two patents could warrant the assessment of treble damages under § 284, normally precluded when recovery under § 289 is sought). F.R.C.P. 54(c) is not considered by that author.

84th Annual Dinner in Honor of the Federal Judiciary



The New York Intellectual Property Law Association held its 84th Annual Dinner in Honor of the Federal Judiciary on March 24, 2006 at the Waldorf Astoria. The Dinner, once again, set a record attendance exceeding 3300 attendees.

After President Edward E. Vassallo welcomed the honored guests, members and their guests, he introduced a trio of Juilliard students who opened the evening's events with an inspiring rendition of the National Anthem.

The Association's Fourth Annual Outstanding Public Service Award was presented to The Honorable Joseph M. McLaughlin, United States Circuit Judge for the United States Court of Appeals for the Second Circuit. The award was presented to Judge McLaughlin in recognition of a lifetime dedicated to the pursuit and administration of justice and for the respect Judge

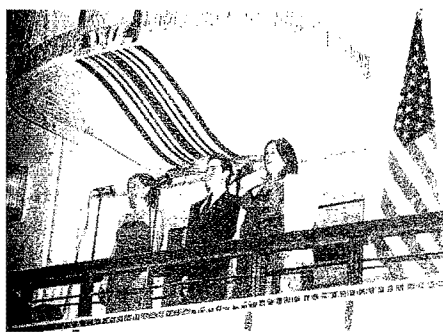


McLaughlin has garnered in the field of IP Law.

Judge McLaughlin's informative and very entertaining speech reflected on his long and illustrious career as a Professor of Law at Fordham University and as a Judge for the Eastern District of New York and the US Court of Appeals for the Second Circuit.

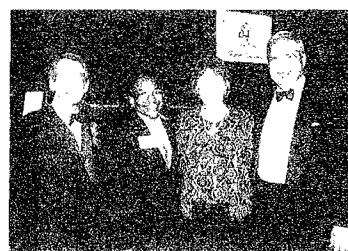
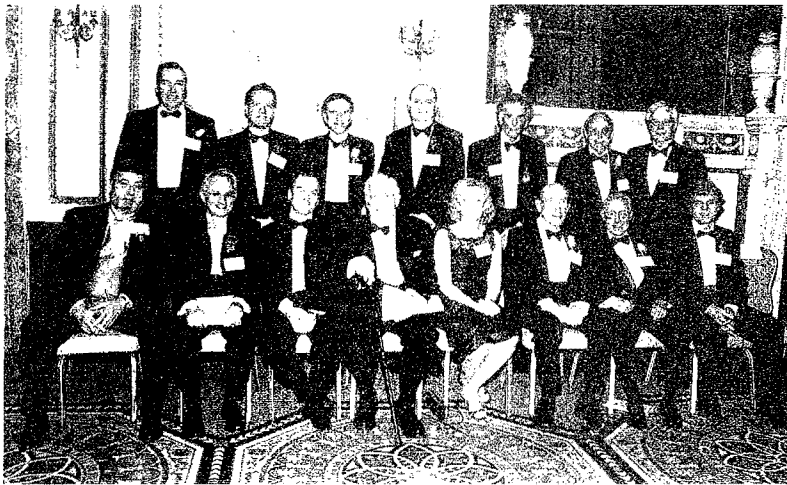
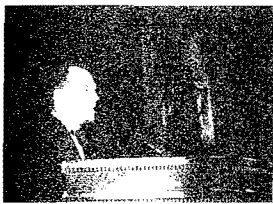
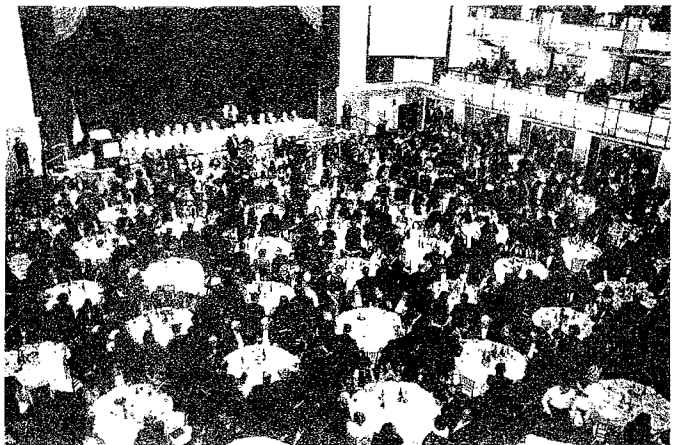
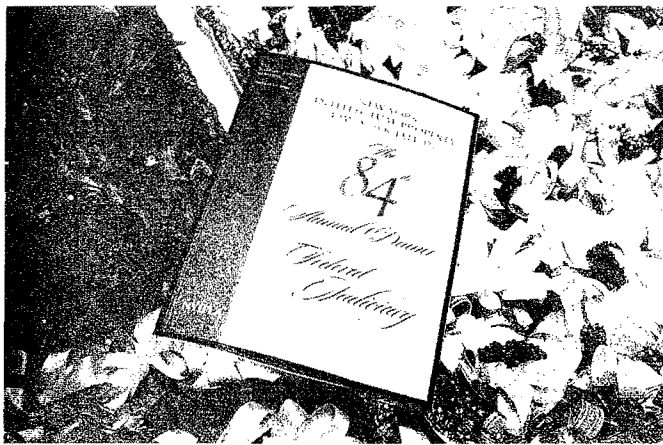
This year's Keynote Speaker was Scott Turow, attorney and best-selling legal suspense novelist. Mr. Turow captivated his audience with his experiences as Assistant US Attorney General in Chicago and his frustrations and, ultimately, rewards as a published author.

David Mears, student of law at the University of Vermont Law School, was this year's recipient of the Diversity Scholarship as part of the Sidney B. Williams, Jr. Minority Scholarship Program of the American Intellectual Property Law Education Foundation. The presentation of the \$10,000 check was made by John Delehanty, President of the Foundation, and Philip Johnson, Chairman of the Foundation's Board of Trustees.



Please Save the Date: The 85th Annual Dinner in Honor of the Federal Judiciary, Friday, March 23, 2007





The Honorable Michael R. Fleming at February 24, 2006 CLE Luncheon Program

Topic: Interim Guidelines for Examination of Patent Applications for Subject Matter Eligibility

On Friday, February 24, 2006, the NYIPLA Committees on Meetings and Forums and Continuing Legal Education co-sponsored a CLE Luncheon Program at the Columbia/Princeton Club on the topic of the Interim Guidelines for Examination of Patent Applications for Subject Matter Eligibility, which were issued on October 24, 2005 and can be found online at http://www.uspto.gov/web/offices/pac/dapp/opla/pre-ognotice/guidelines101_20051026.pdf.

The Honorable Michael R. Fleming, Chief Administrative Patent Judge of the Board of Patent Appeals and Interferences at the U.S. Patent and Trademark Office, was the honored speaker. Judge Fleming is the recipient of numerous awards and distinctions, including the U.S. Department of Commerce Gold Medal for his role in creating the USPTO's Examination Guidelines for Computer Related Inventions in 1996. Alexandra B. Urban, Esq. of MeadWestvaco Corporation hosted the CLE Program.

Judge Fleming outlined the step-by-step analysis of patent applications to determine eligibility under 35 U.S.C. § 101 for patentable subject matter. He noted that before focusing on specific statutory requirements, examiners must determine what the applicant has invented and is seeking to patent by reviewing the entire specification, and must conduct a thorough search of the prior art. Once the examiner has determined what the invention is, and can identify and understand any utility and/or practical application for the invention, he should next consider the breadth of 35 U.S.C. § 101 and determine whether the claimed invention falls within one of the four enumerated categories of patentable subject matter (process, machine, manufacture or composition of matter).

According to the new Guidelines, even if the examiner can establish a *prima facie* case that a claim does not fall into a statutory category, the examiner must continue with the analysis by determining whether the claimed invention falls within one of the three judicial-

ly determined exceptions (abstract ideas, laws of nature, natural phenomena). The claim must be considered as a whole, so that the examiner can ascertain whether the claim is directed to one of the exceptions, or to a *practical application* of the exception, and may thus be eligible for patent protection. A claim that otherwise falls into a judicial exception of patentability may be rendered patentable "if the claimed invention transforms an article or physical object to a different state or thing, or if the claimed invention otherwise produces a useful, concrete, and tangible result."

Judge Fleming gave examples of what would constitute a practical application by physical transformation, and he explained what is meant by "useful, tangible and concrete result." He noted that the examiner must further consider whether the claimed invention preempts one of the judicial exceptions (i.e., covers every substantial practical application thereof), and gave examples of such preemption.

The new Guidelines follow the release in September 2005 of a precedential decision by the BPAI, *Ex parte Lundgren* (Appeal No. 2003-2088, Application No. 08/093,516, available online at <http://www.uspto.gov/go/dcom/bpai/prec/2003-2088.pdf>), in which the Board held that there is no judicially recognized "technological arts" test to determine patent eligibility of subject matter under § 101 and that there are no other recognized exceptions to patentable subject matter other than ideas, laws of nature and natural phenomena. Judge Fleming noted that in addition to the "technological arts" test, the new Guidelines also instruct the Examiners not to apply the *Freeman-Walter-Abele* test, the mental step or human step test, the machine implemented test or the *per se* data transformation test. The new Guidelines confirm that the practical application test broadly defines which subject matter is eligible for patent protection and is the only test that will be used by the USPTO. The CLE Program was attended by 65 guests and concluded with a lively question and answer session.



Alexandra B. Urban and Judge Michael R. Fleming

ent protection and is the only test that will be used by the USPTO. The CLE Program was attended by 65 guests and concluded with a lively question and answer session.

Panelists: Arthur J. Gajarsa, The Honorable Donetta W. Ambrose, Robert C. Morgan, John M. Desmarais at March 24, 2006 CLE Luncheon Program
Topic: *Due Deference? Claim Construction, The District Courts and the Federal Circuit*



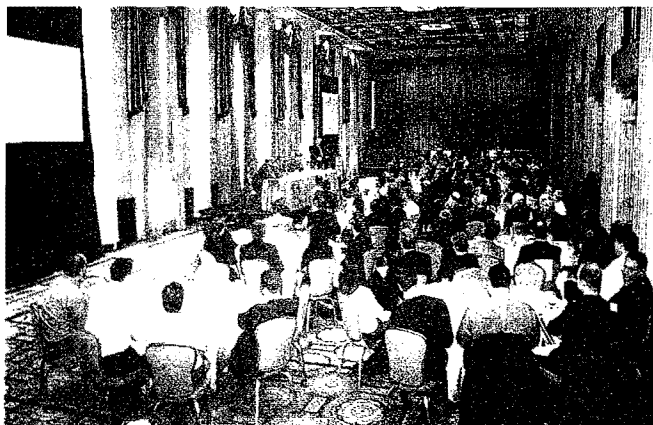
Welcoming remarks by President Vassallo

On March 24, 2006, the NYIPLA sponsored a CLE Luncheon, on the day of the 84th Annual Dinner in Honor of the Federal Judiciary, at the Waldorf=Astoria on the topic of "Due Deference? Claim Construction, The District Courts and the Federal Circuit." The guest speakers featured Judge Arthur J. Gajarsa of the U.S. Court of Appeals for the Federal Circuit, Judge Donetta W. Ambrose of the U.S. District Court for the Western District of Pennsylvania, Robert C. Morgan of Ropes & Gray LLP, and John M. Desmarais of Kirkland and Ellis LLP. Ira Levy of Goodwin Proctor LLP served as the moderator.

The program began with a welcome reception, where attendees had the opportunity to meet with the guest speakers and distinguished guests. Thereafter, President Edward Vassallo offered his welcoming remarks.

The program proceeded with the guest speakers offering a unique perspective, by way of their judicial background and extensive practical experience, on issues affecting claim construction, including: (I) "Are you better off now than you were ten years ago"; (II) "10 years gone – claim construction Post-Markman", highlighting the *Markman* and *Vitronics* opinions; (III) Use and reliance on dictionaries, discussing the *Texas Digital Systems* opinion; (IV) Impact of *Phillips* on Claim Construction; (V) Deference given to the District Court's Claim Construction; (VI) Procedural Aspects of Markman

Proceedings, including the establishment of local rules in various districts; (VII) Timing considerations in preparing for a claim construction hearing; and (VIII) Tools for Markman presentations. The program concluded with a question and answer session.



Members of the audience at the Waldorf=Astoria



Panelists Robert C. Morgan, Ira Levy (moderator), Judge Ambrose, Judge Gajarsa and John M. Desmarais



Attendees gathering at Welcome Reception



Panel in session



Ashe P. Pun, Krista M. Rycroft and Jennifer BianRosa



Ira Levy and President Vassallo



President Vassallo, Mark J. Abate, Christopher A. Hughes

Minutes Of February 15, 2006 Meeting Of The Board Of Directors And Committee Chairs

The meeting of the Board of Directors and Committee Chairs was called to order at the Princeton/Columbia Club at 12:15 p.m. by President Ed Vassallo.

Marylee Jenkins, Christopher A. Hughes, Anthony Giaccio, John E. Daniel, Mark J. Abate, Susan E. McGahan, Laura A. Coruzzi, Daniel A. DeVito, Robert C. Scheinfeld, Dale L. Carlson, Vincent N. Palladino, Karl F. Milde, Jr., Philip T. Shannon, and W. Edward Bailey were present. Also present were Committee Chairs Robert T. Tobin, David F. Ryan, Paul J. Reilly, Charles P. Baker, Alexandra B. Urban, Allan A. Fanucci, Richard W. Erwine, William Dippert, Howard C. Miskin, John B. Pegram and Thomas E. Spath and Subcommittee Chairs Ashe P. Puri and Stephen Quigley, and Michael Isaacs of Star Consulting

Each of the Committee representatives in attendance gave a report about the activities of their Committees and subcommittees.

■ **Committee on Alternative Dispute Resolution – Robert T. Tobin, Chair:** Mr. Tobin reported on the activities of the Committee on ADR. The Committee will focus on mediation, including mediation programs in the Federal Circuit and other courts.

■ **Committee on Antitrust, Inequitable Conduct and Misuse – David F. Ryan, Chair:** Mr. Ryan reported on the activities of the Committee on Antitrust, Inequitable Conduct and Misuse. The Committee is following a number of developments involving the patent-antitrust intersection, *e.g.* (1) the *Independent Ink* case, (2) the *Schering-Plough* case involving “reverse payments” in Hatch-Waxman Act cases, (3) the experimental use exception in patent cases, (4) recent inequitable conduct cases of the Federal Circuit, such as the *Purdue* case, and (5) the *eBay* case involving the standard for granting injunctions in patent cases. Mr. Vassallo requested that Mr. Ryan draft an article on these topics for our next Bulletin newsletter.

■ **Committee on Continuing Legal Education – Thomas J. Meloro, Chair:** Mr. Giaccio, as Board Liaison, reported on behalf of the Committee on Continuing Legal Education. The CLE program on the Day of the Judges’ Dinner includes judges from the Federal Circuit and a federal district court. In addition to the judges on the program, 11 judges have registered to attend the program. A reception will be held before the program to allow attendees to speak to the judges. The JPPCLE is to be held on May 3, 2006 at the Marriott Marquis. Judge Lourie will be the luncheon speaker at the JPPCLE.

■ **Committee on Design Protection – Philip T.**

Shannon, Chair: Mr. Shannon reported on behalf of the Committee on Design Protection. The Committee will submit an article for publication in the Bulletin concerning recovery of damages and profits in design patent cases. The Committee is also following a design patent case in the ITC regarding auto parts.

■ **Committee on Internet Law – Paul J. Reilly, Chair:** Mr. Reilly reported on behalf of the Committee on Internet Law. The Committee has published a number of articles in the Bulletin, including recent articles on pop-up ads and spam. The Committee also sponsored and organized a recent CLE luncheon meeting.

■ **Committee on Legislative Oversight and Amicus Briefs – Charles P. Baker, Chair:** Mr. Baker reported on behalf of the Committee on Legislative Oversight and Amicus Briefs. The Committee recommended filing a brief in the *eBay* case. The Committee also recommended retaining a legislative consultant. These matters were discussed further at the Board meeting.

■ **Committee on License to Practice Requirements – Dale Carlson, Chair:** Mr. Carlson reported on behalf of the Committee on License To Practice Requirements. The Committee is looking into proposals to require recertification of patent attorneys admitted to the Patent Office and to loosen the background requirements of attorneys sitting for the Patent Office bar examination. The Committee is considering a recent Federal Circuit case involving Canadian residents seeking admission to U.S. Patent Bar.

■ **Committee on Meetings and Forums – Alexandra B. Urban, Chair:** Ms. Urban reported on behalf of the Committee on Meetings And Forums. Judge Young of Boston spoke at the January meeting on “the Vanishing Trial.” A judge on the PTO Board of Patent Appeals and Interference will be speaking in February on new rules. Ms. Urban also reported on planning for a number of other CLE meetings and that speakers for a number of luncheon meetings have already been procured. Solicitor Whealan from the Patent Office will be asked to speak on the new patent rules regarding examination and continuation.

■ **Committee on Membership – Allan A. Fanucci, Chair:** Mr. Fanucci reported on the activities of the Committee on Membership. The Committee will continue its effort to attract new members by soliciting membership at CLE meetings and at the Young Lawyers Committee activities. Members of the Committee attended a recent Young Lawyers reception to discuss membership with the attendees.

■ **Committee on Public and Judicial Personnel – W. Edward Bailey, Chair:** Mr. Bailey reported on

the activities of the Committee on Public and Judicial Personnel. The Committee is interested in promoting members who aspire to judgeships.

■ **Committee on Public Information, Education and Awards – Richard W. Erwine, Chair:** Mr. Erwine reported on the Committee on Public Information, Education and Awards. The Committee has thus far received one Inventor of the Year Award submission and four papers for the Conner Writing Competition. The Committee will review submissions for Inventor of the Year from last year.

■ **Committee on Publications – William H. Dippert, Chair:** Mr. Dippert reported on the activities of the Committee on Publications. Mr. Ashe Puri, Chair of the Bulletin Subcommittee and Mr. Stephen Quigley, Chair of the Greenbook Subcommittee, reported on the activities of their Subcommittees. The Bulletin is interested in expanding the scope of the articles published and would like to publish a column regarding news and events at members' firms. Mr. Puri looks forward to receiving news and events information from marketing directors at law firms. The Green Book has been published. Mr. Quigley is collecting information to create a historical record of Association's activities (*e.g.* CLE programs, amicus briefs filed) for the 2006 Greenbook.

■ **Committee on Consonance and Harmonization (Young Lawyers Committee) – Alozie N. Etufugh, Chair:** President Edward Vassallo reported on the activities of the Committee on Consonance And Harmonization In The Profession (Young Lawyers Committee). The Committee held a reception for young lawyers at which 75 people attended. The Committee is also considering law student outreach (*e.g.* newsletter) and organizing networking opportunities for young lawyers.

■ **Committee on Patent Law and Practice – Robert C. Scheinfeld, Chair:** Mr. Scheinfeld reported on behalf of the Committee of Patent Law and Practice and the Adhoc Committee on local rules in patent cases. The Committee has and will continue to monitor the pending proposal to amend the rules of patent practice in the PTO and is also considering preparing a report for submission to Congress. The local patent rules, drafted by the Adhoc Committee, were sent to Chief Judge Mukasey of the Southern District of New York. After sending the draft, Mr. Scheinfeld spoke to Judge Mukasey who stated that he sent the draft to the Rules Committee and to Senior Judge Conner for consideration.

■ **Committee on Trade Secret Law and Practice – Howard C. Miskin, Chair:** Mr. Miskin reported on behalf of the Committee on Trade Secret Law and Practice. This Committee has few members and needs more support from the membership to undertake projects.

■ **US Inter-Bar Japan Patent Office Liaison – John B. Pegram:** Mr. Pegram reported on the activities of the US Bar Japan Patent Office Liaison. A meeting was held with JPO in Washington, D.C. in December 2005. The next meeting is in Japan, the date has not been set.

■ **U.S. Inter-Bar EPO Liaison – Thomas E. Spath:** Mr. Spath reported as the U.S. Inter-Bar EPO Liaison Representative. There was a meeting of the U.S. Inter-Bar EPO in Chicago

earlier this year. Mr. Sam Helfgott attended on behalf of the Association. The Committee members will continue to be involved in a number of activities relating to harmonization of patent laws, including WIPO and U.S. Patent and Trademark Office meetings and following the bills pending before Congress.

A discussion took place concerning the designation of a liaison to the Chinese Patent Office like the liaisons to the Japanese Patent Office and European Patent Office.

After all the Committee Chairs had provided their reports, the Committee Chairs were excused and the meeting of the Board continued.

At the Board meeting, the minutes of the Board of Directors' Meeting held on January 18, 2006 were approved.

Mr. John Daniel provided the Treasurer's Report. The Association's finances are sound and consistent with prior years.

A discussion took place concerning the retainer of a legislative consultant. Mr. Baker reported on a conversation with Hayden Gregory. The Board considered proceeding with Mr. Gregory. Mr. Baker was asked to follow-up with Mr. Gregory.

Mr. Charles Baker also presented the Amicus Committee recommendation to file a brief in the *eBay* case. The Board authorized preparation of a brief, to be further reviewed and considered by the Board for filing. Messrs. Hughes, Giaccio, Abate and DeVito and Ms. Jenkins abstained from voting on filing a brief in *eBay*.

President Vassallo reported on the planning for the Past Presidents' Dinner. The Dinner is scheduled for February 15 and all Past Presidents and current Committee Chairs and Board Members are invited to attend.

Mr. Christopher Hughes reported on the arrangements for the Judge's Dinner. Thus far, 160 honored guests have accepted invitations to the Dinner. To alleviate crowding on the elevators, some firms previously having hospitality suites in the towers have opted to move to rooms made available in other areas of the Waldorf. 28 congratulatory notices have been purchased. Scott Turow, the noted author, will be the speaker.

Mr. Mark Abate reported on a meeting of Association officers with Chief Judge Michel on November 18, 2005. At the meeting, Chief Judge Michel identified a number of ways that the Association could help the Federal Circuit.

Chief Judge Michel also asked that we help to identify mediators for the Federal Circuit's new mediation program. The public announcement of the mediation program seems to require that the mediators be located in the Washington, DC metropolitan area. However, Chief Judge Michel indicated that mediators from outside Washington, DC have been accepted. To the extent we can enlist our members in serving as mediators for the Federal Circuit, the court would appreciate it. Preferably, mediators should not be "in regular practice" to avoid conflicts of interest.

The meeting was adjourned at 2:00 p.m.

The next meeting of the Board is scheduled for Wednesday, March 15, 2006 at 12:00 Noon at the Princeton/Columbia Club.

SOUTHERN DISTRICT CASE REVIEW

by Mark J. Abate and Jennifer BianRosa¹

Communications With Benrishi Covered By Attorney-Client Privilege
Eisai Ltd. v. Dr. Reddy's Laboratories, Inc.
 406 F.Supp.2d 341
 (S.D.N.Y. December 21, 2005)
 (Judge Gerard E. Lynch)

During discovery proceedings in a patent infringement case, Defendants Dr. Reddy's Laboratories, Ltd. and Dr. Reddy's Laboratories, Inc. ("Reddy") requested Plaintiffs Eisai Ltd. and Eisai Inc. ("Eisai") to produce documents relating to the legal advice provided by Japanese *benrishi*. Eisai objected to the request, claiming that the documents were protected by the attorney-client privilege. Reddy moved to compel production of the documents. The Court referred the dispute to Magistrate Judge Fox, who ruled that the documents were privileged as they reflected legal advice provided by Japanese *benrishi* or requests for such advice, and need not be produced. Judge Fox held that the documents should be afforded the privilege as a matter of comity, because Japanese law accords a privilege to *benrishi*-client communications. Reddy appealed the Magistrate's ruling.

The Court considered the question of whether federal courts should recognize a privilege in documents reflecting legal advice provided by Japanese *benrishi*, who act as patent agents or patent prosecution attorneys, represent clients in the prosecution of intellectual property including patents, advise clients with respect to intellectual property contracts and assist *bengoshi*, Japanese attorneys, in representing clients in intellectual property litigation. In upholding Judge Fox's decision the Court stated that "where a communication with a foreign patent agent or attorney involves a foreign patent application, 'then as a matter of comity, the law of that foreign country is considered regarding whether that law provides a privilege comparable to the attorney/client privilege[,...] subject to any overriding U.S. policy considerations.'" (citing *Bristol-Myers Squibb Co. v. Rhone-Poulenc Rorer, Inc.*, 1998

U.S. Dist. LEXIS 4213 at *1 (S.D.N.Y. 1998)). The Court particularly noted that a *benrishi* may refuse to testify about a fact learned in exercising his professional duties.

Reddy argued that the privilege was inapplicable because Japanese law differs from U.S. law in several respects. The Court disagreed, and noted that the application of a rule for extending comity that required complete congruity with American attorney-client privilege law would be inconsistent with the basic notion of extending comity to foreign law at all. In particular, the Court rejected the assertion that the application of the Japanese law should not be applied "retroactively" to documents created before 1998, when the Japanese statute was amended to provide the *benrishi*-client privilege. The Court observed that the Japanese Code specifically provides that the statute be applied retroactively, and that it would not offend fundamental principles of American justice or public policy to apply the statute retroactively. The Japanese Legislature had a legitimate reason for applying the statute retroactively since before 1998 there was no provision for document discovery in civil litigation. The privilege was to protect the discovery of documents including documents created before the 1998 statute, whose confidentiality would previously have been assumed.

"CHARBUCKS" DOES NOT INFRINGE "STARBUCKS" TRADEMARK

Starbucks Corp. v. Wolfe's Borough Coffee, Inc.

2005 U.S. Dist. Lexis 35578
 (S.D.N.Y. December 22, 2005)
 (Judge Laura Taylor Swain)

Starbucks, one of the largest and best-known retailers of specialty coffee products in North America, sells its products under the trade names "Starbucks Coffee Company" and "Starbucks Coffee." The Starbucks marks are featured on exterior store signage and at multiple locations

within the store as well as in television and radio commercials, print advertising and in-store displays. Starbucks actively policies its registered Starbucks marks.

Starbucks objected to Black Bear's use of the term "Charbucks," which rhymes with Starbucks, as disparaging and dilutive, and in August 1997 demanded that Black Bear discontinue its use of the Charbucks mark. Defendant Black Bear manufactures and sells roasted coffee beans and related goods through mail and internet order, a limited number of New England supermarkets, and at a New Hampshire retail outlet. Black Bear sells its own blend of dark roasted coffees named the "Charbucks Blend", "Mister Charbucks" and "Mr. Charbucks" (collectively, "Charbucks"). Black Bear was aware of the Starbucks marks at the time of the first sale of "Charbucks" and used the mark as inspiration for "Charbucks" since Starbucks coffee seemed to be a darker roast than other major roasters.

After receiving Starbucks's demand, Black Bear continued to use the term "Charbucks" in connection with the marketing and sale of one of its roasted coffee blends. Starbucks sought permanent injunctive relief against Black Bear's use of the name Charbucks and other variations on Starbucks' trademarks.

Trademark infringement under the Lanham Act requires that the plaintiff prove that its mark is entitled to protection and that the defendant's use of its mark will likely cause confusion with plaintiff's mark. Because there was no question as to Starbucks's entitlement

to its marks, the Court focused on the likelihood of consumer confusion and used the balancing test as stated in *Polaroid Corp. v. Polarad Elecs. Corp.*, 287 F.2d 492, 495 (2d Cir. 1961): (1) the strength of the plaintiff's mark; (2) the degree of similarity between the two marks; (3) the proximity of the products; (4) the likelihood that the owner will bridge the gap; (5) evidence of actual confusion; (6) defendant's good faith in adopting the mark; (7) the quality of defendant's product; and (8) the sophistication of the consumers.

The parties stipulated that the strength of plaintiff's mark, the proximity of the products, and likelihood that plaintiff will "bridge the gap" weighed in favor of Starbucks. With respect to the degree of similarity, the Court noted that the terms "Starbucks" and "Charbucks", standing alone, sound quite similar, but Black Bear's packaging varied in imagery, color and format from Starbucks' logo. There was also no evidence that "Charbucks" was used as a stand-alone word in promotions or product offerings.

The Court also found no evidence of actual confusion. A telephone survey conducted by Starbucks in which respondents were asked whether they could "name any company or store that [they] think might offer a product called 'Charbucks'" was insufficient evidence to show actual confusion to any significant degree as only 3.1% of 600 respondents answered "Starbucks" and the survey did not present the term "Charbucks" in the same linguistic or visual context as Black Bear's use.

The Court considered the quality of the product a neutral factor in the confusion analysis, because both companies took great care with their roasting processes. As to the good faith factor, the Court noted that while Black Bear intended to take advantage of the similarity of the words "Charbucks" and "Starbucks", as well as the perception of Starbucks' products as a very dark roast of coffee, the evidence did not support a reasonable inference that Black Bear adopted the name "Charbucks" with the intention of misleading consumers as to a connection between its products and Starbucks. The sophistication of the consumers was also a neutral factor as an ordinary purchaser would be very unlikely to mistake any of the "Charbucks" products for one offered by Starbucks, because of the distinctive packaging and separate retail channels of the parties' respective product. In weighing the factors, the Court found that they were either largely favorable to Defendant or neutral and entered a judgment for Defendant.

The Court also found against Starbucks' claim for dilution and stated that "at least where marks are not identical, 'the mere fact that consumers mentally

cont. on page 26

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associate the junior user's mark with a famous mark is not sufficient to establish actionable dilution.” (citing *Moseley v. V. Secret Catalogue, Inc.*, 537 U.S. 418, 433 (2003)).

SUMMARY JUDGMENT OF INVALIDITY FOR OBVIOUSNESS DENIED

Medinol Ltd. v. Guidant Corp.

2005 U.S. Dist LEXIS 35866

(S.D.N.Y. December 27, 2005)

(Judge Shira A. Scheindlin)

In a patent infringement case, defendants Guidant Corp. and its subsidiary Advanced Cardiovascular Systems, Inc. (“Guidant”) moved for summary judgment of invalidity, arguing plaintiff Medinol Ltd. (“Medinol”)’s patents were obvious. The Court denied the motion for summary judgment because there were disputed issues of material fact regarding the differences between the prior art and the claimed invention, and secondary considerations.

Medinol’s patents are directed to stents, which are medical devices for opening diseased coronary arteries and maintaining blood flow to and from the heart. The stents are introduced into the blocked artery on a balloon catheter, the balloon is inflated and expands the stent against the vessel wall. The stent remains in place to hold open the vessel and improve blood flow after the balloon has been deflated and removed.

Analyzing obviousness under 35 U.S.C. §103, the Court stated the differences between the prior art and the claimed invention require consideration of the invention as a whole since inventions are often merely new combinations of existing principles or features. To analyze the invention as separate components would create a risk of a hindsight determination of obviousness and would discount the value of an invention combining various existing features in a new way to achieve a new result. When an obviousness allegation is based on the teachings of multiple prior art references, there must be a motivation to combine the references, even if they disclose every element of the claimed invention (citing *Princeton Biochem., Inc. v. Beckman Coulter, Inc.*, 411 F.3d 1332, 1337 (Fed. Cir. 2005)).

Guidant relied on two prior art references for its obviousness argument: U.S. Patent No. 5,421,955 to Lilip Lau (“Lau”) and U.S. Patent No. 5,879,370 to Robert Fischell et al. (“Fischell”). Guidant argued that Lau’s out-of-phase serpentine rings if combined with Fischell’s undulating connectors would produce a stent exhibiting

every limitation of the claims. The Court noted that Guidant did not adequately explain why a stent designer of ordinary skill, seeking to address the same problems sought to be addressed by the patents-in-suit, would select Fischell’s undulating longitudinal connectors over Lau’s straight connectors and disregard Fischell’s teachings “1) favoring the use of longitudinals running the length of the stent, as opposed to connectors between each pair of rings; and 2) prescribing the use of circular hoops as opposed to Lau’s meandering rings.” Thus, the Court concluded that Lau’s and Fischell’s inventions were directed to different problems in the stent art.

As to the motivation to combine, Guidant also asserted that another reference showed that Lau’s sinusoidal rings and Fischell’s undulating connectors were combined to design a stent. However, the reference did not establish that the combination carried a reasonable expectation of success. Thus, Medinol argued that the combination was a failure, and the Court agreed because the design’s failure undercut its probative value.

SUMMARY JUDGMENT OF NON-INFRINGEMENT DENIED AS TO LITERAL INFRINGEMENT, BUT GRANTED AS TO DOCTRINE OF EQUIVALENTS

Windbrella Prod. Corp. v. Taylor Made Golf Co., Inc.

2006 U.S. Dist. LEXIS 4410

(S.D.N.Y. February 3, 2006)

(Judge Shira A. Scheindlin)

Windbrella Products Corp. (“Windbrella”) brought a patent infringement suit against Taylor Made Golf Co., Inc. (“TaylorMade”), claiming that umbrellas bearing the TaylorMade trademark infringed its U.S. Patent 6,422,251 (“the ‘251 patent”) directed to umbrellas. TaylorMade moved for summary judgment as to non-infringement of Windbrella’s patent.

Claim 1 of the ‘251 patent was directed to a latch mechanism that permits the umbrella to be opened when a button is depressed. In prosecuting the ‘251 patent, claim 1 was amended to incorporate a dependent claim in order to overcome an anticipation rejection. As a result, the claimed umbrella further included “a latch slidably received in said barrel for selectively disengaging said catch from said barrel to release said barrel from said tube;...said latch being ring-shaped and being slidably received in said channel of said barrel for slidably receiving said tube therein.”

In construing the claims, the Court first considered the “words of the claims themselves...to define the scope of the patented invention” and the patent specification as a second source of intrinsic evidence (citing *Vitronics Corp. v. Conceptronic, Inc.*, 90 F.3d 1576, 1582 (Fed. Cir. 1996) and *Philips v. AWH Corp.*, 415 F.3d 1303, 1314 (Fed. Cir. 2005)). Windbrella suggested that the term “ring shaped latch” be construed to mean “a curved component for receiving the tube of the umbrella”, which the Court noted would read “ring-shaped” out of the claim. Windbrella submitted a dictionary definition of ring defining “a circular or curve band.” The Court, citing *Philips*, declined to accept the definition as overbroad and noted that the prosecution history of the ‘251 patent counseled against reading disputed terms out of the claim with broad definitions. TaylorMade argued that the claim required “a latch which is continuously curved securing the latch to the umbrella against the tube.”

In construing claim 1, the Court stated that it required the latch to “slidably receive said tube therein” so that the latch must be capable of encircling the umbrella’s tube to receive it therein, as a ring encircles a finger. The specification used the word “ring” to describe two other components of the patented umbrella which were drawn as “perfect circles” in a figure of the patent. The figure depicting the “ring-shaped latch”, however, showed a “D” shaped latch. Thus, the Court found that the claimed latch is a curved, not necessarily circular, enclosed band that would encircle the tube.

TaylorMade argued that its latch did not infringe as it is a “U” shaped latch whose ends do not join to enclose a space or form a ring. When the TaylorMade knob is depressed, the arms of the latch extend toward the inner curved wall of the barrel and create an enclosed space which is ring-shaped. The Court found that a reasonable juror could find that the TaylorMade umbrella had

a ring-shaped latch that slidably receives the umbrella’s tube therein and denied summary judgment on literal infringement.

Under the doctrine of equivalents, if a patent claim is narrowed during prosecution, there is a presumption that the patentee has surrendered the subject matter that falls between the scope of the original claim and the amended claim. Windbrella argued against this presumption stating that “the rationale underlying the amendment bore no more than a tangential relation to the equivalent in question” (citing *Festo Corp. v. Shoketsu Kinzoku Kogoyo Kabushiki Co. (Festo III)*, 344 F.3d 1359, 1369 (Fed. Cir. 2003) (en banc)). The Court rejected the argument, finding that “where the portion of the amendment in question was necessary to distinguish prior art, and where there is no explicit alternative explanation for the amendment in the public record, the amendment has not been considered tangential.” (citing *Insituform Techs., Inc. v. Cat Contracting, Inc.*, 385 F.3d 1360, 1370 (Fed. Cir. 2004)). The Court granted TaylorMade’s motion for summary judgment motion as to the doctrine of equivalents.

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NYIPLA CALENDAR

Date: Wednesday, May 3, 2006

Event: 22nd Annual Joint Patent Practice Seminar

Keynote Speaker: Hon. Alan D. Lourie, Circuit Judge,
United States Court of Appeals, Federal Circuit

A full-day program comprised of five panels featuring the most up-to-date information in the following areas: Litigation, Biotechnology/Pharmaceuticals, Foreign Patent Practice, Information Technology/Licensing/Trade Secrets and USPTO Practices

Date: Wednesday, May 24, 2006

Event: NYIPLA Annual Meeting & Awards Dinner

Location: Princeton-Columbia Club
15 West 43rd Street, NY, NY (New Location)

Please Note: The Reception will be held in the Prospect Lounge and Dinner in the James Madison Room.

The two separate rooms will lend itself to more space and comfort for all attendees and provide an excellent opportunity to meet old friends and welcome the 2006-2007 NYIPLA Officers and Board.

NEW MEMBERS

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