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Protecting intellectual property: a smart investment MAKE IT COUNT

Tidbits of recent developments in IP law

Patents: Declaratory relief available for products designed but not made or sold

TubeMaster designed four different configurations of a loading device designed to place particles into multi-tube chemical reactors. Such chemical reactors typically include thousands of long vertical tubes held together at an end by a perforated sheet. The configuration of the loading devices varies depending upon the configuration of the reactor. TubeMaster manufactured and delivered loading devices designed to interact with one of the configurations. TubeMaster had not received an order for any of the other three configurations. Nevertheless, TubeMaster was prepared to produce additional loading devices to interact with the other three configurations, as soon as it received an order with appropriate dimensions.

Cat Tech owned a patent relating to a method of loading reactor tubes of varying sizes and sued TubeMaster, alleging that the one loading-device configuration previously sold by TubeMaster infringed the patent. TubeMaster filed a counterclaim seeking a declaratory judgment of noninfringement of **all four** configurations.

The trial court granted TubeMaster's motion for summary judgment of noninfringement regarding all four

configurations. The decision was affirmed on appeal by the Federal Circuit. Notwithstanding that three configurations had not been sold or distributed, the court held that TubeMaster had taken sufficient steps regarding all four configurations to

establish "meaningful preparation" to create a case and controversy regarding even the three configurations that had not been sold or manufactured for sale. The court pointed out that in determining whether a declaratory judgment action exists requires an analysis to determine "whether the facts alleged, under all the circumstances, show that there is a substantial controversy between the parties having adverse legal interests, of sufficient immediacy and reality to warrant the

issuance of a declaratory judgment," citing *Immune, Inc. v. Genentech, Inc.*, 549 U.S. 118 (2007). The court reasoned that in view of Cat Tech filing suit regarding the one configuration on the market and TubeMaster's preparation to market the other three configurations if and when a purchase order is received, that an actual case and controversy was ripe for judicial determination. *Cat Tech LLC v. TubeMaster, Inc.*, 528 F.3d 871 (Fed. Cir. 2008).



Patents: Failure to produce noninfringement opinion may be evidence of intent to induce infringement

Qualcomm was found liable of infringing or inducing infringement of Broadcom patents relating to 3G mobile phones. Inducing infringement requires an analysis of the following two prongs: (i) that the accused "intended to cause the acts that constitute the direct infringement," and (ii) that the accused "knew or should have known [that] its action would cause the direct infringement." The Court of Appeals for the Federal Circuit (CAFC) ruled that though the specific intent standard for a finding of willful infringement had recently been raised by the CAFC to require a reckless disregard [In *Re Seagate*, 497 F.3d 1360 (Fed. Cir. 2007)], the analysis for inducement has not changed as inducement may still be found even in the absence of willfulness.

The evidentiary issue in the case was whether the jury could consider Qualcomm's decision to seek advice of counsel (which wasn't produced) as circumstantial evidence of intent and the court ruled that the jury

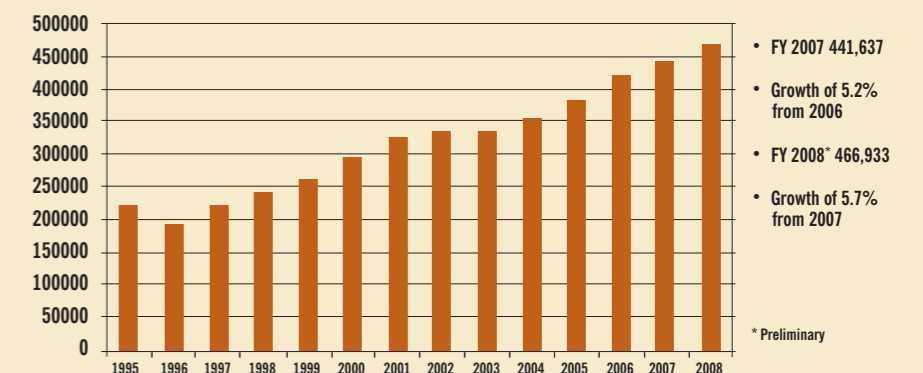
could do so. The court stated: "Because opinion-of-counsel evidence, along with other factors, may reflect whether the accused infringer 'knew or should have known' that its actions would cause another to directly infringe, we hold that such evidence remains relevant to the second prong of the intent analysis. Moreover, we disagree with Qualcomm's argument and further hold that the **failure to procure such an opinion may be probative of intent in this context.** It would be manifestly unfair to allow opinion-of-counsel evidence to serve an exculpatory function, as was the case in *DSU* itself, see 471 F.3d at 1307, and yet not permit patentees to identify failures to procure such advice as circumstantial evidence of intent to infringe. Accordingly, we find no legal error in the district court's jury instructions as they relate to inducement." (Emphasis added.) *Broadcom Corp. v. Qualcomm, Inc.*, 543 F.3d 683, 700 (Fed. Cir. 2008).

Patents: Status United States Patent and Trademark Office

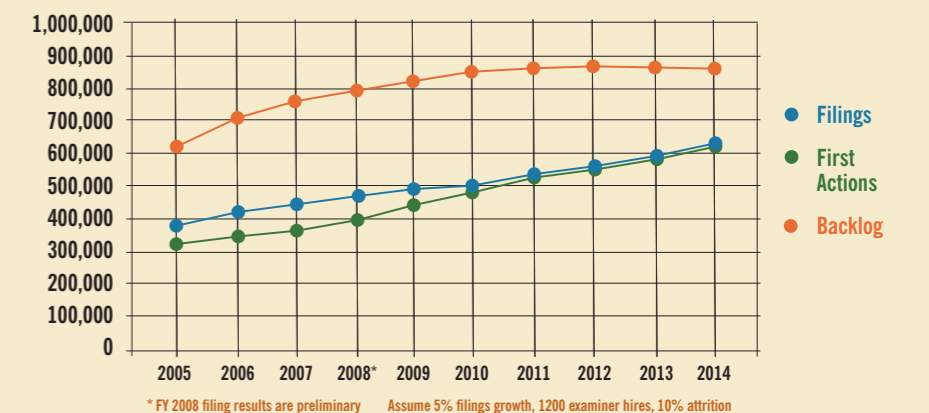
In November 2008, the United States Patent and Trademark Office (USPTO) published various statistics regarding current activities. The report states that patent application filings for fiscal year 2008 increased 5.7% over fiscal year 2007; the USPTO patent staff includes 6,055 Examiners, 414 Supervisory Examiners, and 100 Quality Assurance Specialists. Included in the published report are the following charts reflecting utility patent application filings, first office actions and backlog, and patent application pendency periods.



UPR Filings



Filings, First Actions, & Backlog



California Supreme Court holds: No implied fiduciary relationship between parties of IP agreement

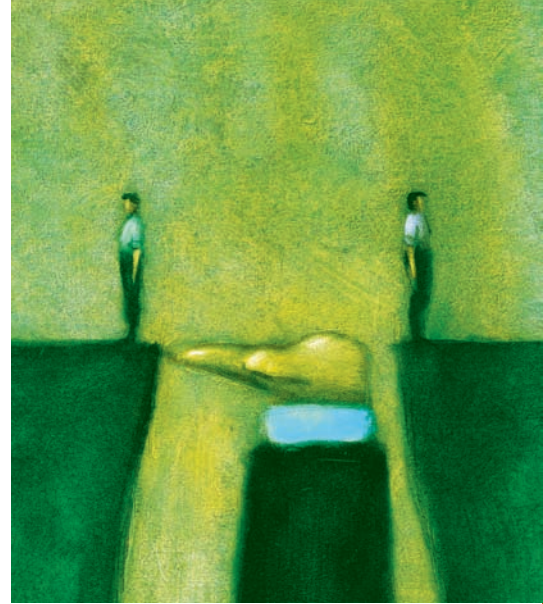
City of Hope National Medical Center entered into a contract with Genentech in 1976, wherein Genentech received exclusive ownership of City of Hope's patentable technology and other intellectual property relating to a certain process for genetically engineering certain human proteins in exchange for royalties. Genentech ultimately marketed products and obtained a number of U.S. and foreign patents, which it licensed to various other companies relating to the technology. Over the years, Genentech also sued and then settled lawsuits against infringers of those patents.

City of Hope contended that Genentech breached its contract by failing to fully report income Genentech received from such Genentech products, licenses, and settlements. Genentech disagreed and City of Hope filed a lawsuit for breach of contract and breach of fiduciary duty. The trial court jury awarded City of Hope \$300 million for breach of contract and \$200 million in punitive damages for breach of fiduciary duty.

The California Supreme Court agreed to review the case and upheld the breach of contract award, but reversed the punitive damage award. The fiduciary relationship issue hinged on whether Genentech had a fiduciary relationship

obligation to City of Hope as a matter of law. The court held that "before a person can be charged with a fiduciary obligation, he must either knowingly undertake to act on behalf and for the benefit of

another, or must enter into a relationship which imposes that undertaking as a matter of law." There was no written provision in the City of Hope-Genentech contract stating that the parties had a fiduciary relationship. The court recognized that though some relationships, such as joint ventures, partnership, agencies, etc., may impose fiduciary duties as a matter of law, "fiduciary obligations are not necessarily created when one party entrusts valuable intellectual property to another for commercial development in exchange for the payment of compensation contingent on commercial success." *City of Hope National Medical Center v. Genentech, Inc.*, 43 Cal. 4th 375 (2008).



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