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The Federal Circuit Affirms the Delaware District Court's Summary Judgment of Invalidity for Failure to Disclose the Best Mode

In *Wellman, Inc. v. Eastman Chemical Co.*, No. 2010-1249 (Fed. Cir. Apr. 29, 2011), the Federal Circuit affirmed the U.S. District Court for the District of Delaware's grant of summary judgment on invalidity of Wellman's patent claims for failure to disclose the best mode.

Plaintiff-patentee Wellman filed an action against Eastman Chemical, claiming it infringed U.S. Patent Nos. 7,129,317 (the '317 patent) and 7,094,863 (the '863 patent), which claim polyethylene terephthalate (PET) resins for use in plastic beverage containers. More particularly, the Wellman patents disclose "slow crystallizing" PET resins that purportedly retain exceptional clarity and do not shrink or become hazy from crystallization when "hot-filled" with product at temperatures of 180° C to 205° C.

Eastman Chemical defended by moving for summary judgment of invalidity on the grounds of indefiniteness and failure to set forth the best mode of practicing the claimed invention under 35 U.S.C. § 112, ¶ 1. The district court found that the patents were invalid, and Wellman appealed.

In its opinion, the Federal Circuit reaffirmed the law of "best mode." Determining compliance with the best-mode requirement requires a two-prong inquiry. First, it must be determined whether, at the time the application was filed, the inventor possessed a best mode for practicing the invention. This is a subjective inquiry that focuses on the inventor's state of mind at the time of filing. Second, if the inventor has a subjective preference for one mode over others, the court must then determine whether the inventor "concealed" the preferred mode from the public. The second prong inquires into the inventor's disclosure of the best mode and the adequacy of that disclosure to enable one of ordinary skill in the art to practice that part of the invention. This second inquiry is objective, depending on the scope of the claimed invention and the level of skill required in the relevant art.

With respect to the first inquiry, the Federal Circuit agreed with the district court's finding that the inventors possessed a best mode for practicing the invention. In particular, the district court found, based on the testimony of the inventors, that one inventor believed a specific formula for a slow-crystallizing, hot-fill PET called Ti818 to be the best mode of carrying out the claimed invention. The parties agreed that all but five of the asserted claims encompassed Ti818. Additionally, the Federal Circuit agreed with the district court that another inventor believed the use of carbon black (N990), an ingredient in its Ti818 PET formula, to be the best mode at the time of filing the application.

With respect to the second inquiry, the Federal Circuit agreed with the district court's finding that Wellman effectively concealed the best mode from the public. Specifically, the district court found, and the Federal Circuit agreed, that Wellman effectively concealed the recipe for Ti818 by identifying preferred concentration ranges for certain ingredients that excluded those used in Ti818 and by identifying preferred particle sizes for an additive other than that used in Ti818. Thus, Wellman did not disclose the specific recipe for Ti818 or any other specific PET resin recipes. "By masking what at least one inventor considered the best of these slow-crystallizing resins, Wellman effectively concealed its recipe for Ti818."

The Federal Circuit agreed with the district court and further held that Wellman not only failed to disclose its use of carbon black N990 in its Ti818 PET formula, but also deliberately chose to protect that ingredient as a trade secret, and, therefore, "intentionally concealed" the best mode. The Federal Circuit found that the Wellman patents "lead away" from the use of carbon black N990 in Ti818.

While affirming the district court's decision on invalidity based on the best mode, however, the Federal Circuit reversed the district court's grant of summary judgment on the issue of indefiniteness. Specifically, the Federal Circuit found that the district court erred when it concluded that the patents did not provide sufficient guidance to those skilled in the art for construing the temperature (TCH) at which the sample crystallized the fastest during heating in a differential scanning calorimetry machine. The specifications of the patents supported construing the TCH term to require testing of amorphous materials.

The Federal Circuit affirmed the district court's summary judgment that all asserted claims of the '317 and '863 patents that covered the PET recipe Ti818 were invalid for failure to disclose the best mode of practicing the claimed invention. The Federal Circuit, however, reversed the district court's judgment that the asserted claims were indefinite under 35 U.S.C. § 112, ¶ 2, and remanded the case for further proceedings.

A copy of the opinion can be found at http://www.cafc.uscourts.gov/images/stories/opinions-orders/10-1249.pdf.

Federal Circuit Changes Law for Post-Injunction Contempt Proceedings Against Modified Products

In *TiVo, Inc. v. EchoStar Corp., et al.*, No. 2009-1374 (Fed. Cir. Apr. 20, 2011), a recent en banc decision, the Federal Circuit vacated an Eastern District of Texas court's ruling that EchoStar was in contempt of the district court's permanent injunction. Because the Federal Circuit considered the case en banc, the Federal Circuit was able to reconsider the two-step test it adopted in *KSM Fastening Systems v. H.A. Jones Co.*, 776 F.2d 1522, 1532 (Fed. Cir. 1985), for determining whether a district court should hold a contempt proceeding. The Federal Circuit concluded that the *KSM* test was unsound and clarified the standards governing contempt proceedings in patent infringement cases.

The TiVo/EchoStar patent battle has been raging in the courts for the better part of 10 years. Following a win by TiVo in a jury trial in the Eastern District of Texas, Judge Folsom entered an injunction prohibiting EchoStar from undertaking certain activities in connection with its accused DVR products. The court subsequently found EchoStar in violation of the injunction and imposed contempt sanctions on top of the damages awarded by the jury. EchoStar appealed to the Federal Circuit and ultimately persuaded the Federal Circuit to consider the case en banc to clarify the standard for imposing contempt sanctions in a patent case.

In a unanimous portion of the opinion, the Federal Circuit held that there is no "good faith" defense to a charge of contempt. The court also overruled an often-misunderstood portion of the 1985 *KSM* case, which had set out a two-part test for deciding whether contempt proceedings were appropriate. The Federal Circuit changed the two-part *KSM* inquiry into a single statement: "What is required for a district court to hold a contempt proceeding is a detailed accusation from the injured party setting forth the alleged facts constituting the contempt."

With respect to the substantive standard applied to a contempt proceeding, the Federal Circuit reiterated that "the party seeking to enforce the injunction must prove both that the newly accused product is not more than colorably different from the product found to infringe and that the newly accused product actually infringes." For the first portion of this analysis—determining whether there are more than "colorable differences"—the court clarified the appropriate comparison: "[O]ne should focus on those elements of the adjudged infringing products that the patentee previously contended, and proved, satisfy specific limitations of the asserted claims. Where one or more of those elements previously found to infringe has been modified, or removed, the court must make an inquiry into whether that modification is significant. If those differences between the old and new elements are significant, the newly accused product as a whole shall be deemed more than colorably different from the adjudged infringing one, and the inquiry into whether the newly accused product actually infringes is irrelevant. Contempt is then inappropriate."

On the final key question—whether EchoStar's conduct constituted contempt under the newly devised proper standard—two factions of the en banc court were sharply divided. EchoStar argued that the language of the injunction was too ambiguous to clearly proscribe the challenged conduct. The seven-judge majority, in an opinion written by Judge Lourie, held that such an argument was unavailable as a matter of law because EchoStar never directly challenged the language of the injunction. According to the majority, "where a party has bypassed opportunities to present its asserted vagueness claim on appeal or through a motion to clarify or modify the injunction, the party cannot disregard the injunction and then object to being held in contempt when the courts conclude that the injunction covered the party's conduct." The five-member minority, in an opinion written by Judge Dyk, disagreed strenuously, on the grounds that "contempt cannot be based on an order susceptible to two reasonable readings, one of which does not cover the accused conduct." Thus, the dissenting judges would have reversed the finding of contempt because "TiVo was obligated to show that the injunction clearly prohibited the substitution of new non-infringing software. It did not remotely satisfy this burden."

One important message to take away from this case is that any defendant that is subject to an injunction in a patent case should immediately analyze the injunction to determine whether there is any potential ambiguity in its terms. If such ambiguity is present—or even potentially present—the defendant frequently may be well advised to raise any such issues immediately, through a motion to clarify/modify the injunction and/or an appeal to the Federal Circuit. Absent those protective measures, the ambiguity of an injunction will likely not provide the defendant with grounds to later oppose a contempt motion by the patentee.

A copy of the opinion can be found at http://www.cafc.uscourts.gov/images/stories/opinions-orders/09-1374.pdf.

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