

Fed. Circ. Tells Court To Rethink Pitt's \$110M Patent Award

By Ryan Davis

Law360, New York (April 10, 2014, 5:17 PM ET) -- The Federal Circuit on Thursday reversed a lower court's ruling that Varian Medical Systems Inc.'s infringement of the University of Pittsburgh's cancer-treatment device patent was willful and remanded the case so a \$110 million damages award can be recalculated.

The appeals court upheld most of the infringement findings against Varian, but concluded that U.S. District Judge Arthur Schwab incorrectly held that the company's infringement was willful, saying that he did not "explicitly explain" his finding that the company's noninfringement and invalidity defenses were objectively unreasonable.

Because of the "highly factual nature" of the issue, the judge's "unexplained conclusion that Varian's invalidity defense was objectively unreasonable was improper," the Federal Circuit wrote.

"We find that Varian did not act despite a high likelihood that it infringed a valid ... patent," it said. "As such, we reverse the district court's finding that Pitt clearly and convincingly demonstrated that Varian willfully infringed the asserted claims."

A jury awarded Pitt \$37 million, and Judge Schwab raised the award to \$101.4 million, including enhanced damages due to willfulness, prejudgment interest and postjudgment sales. He also awarded Pitt \$9.2 million in attorneys' fees.

The Federal Circuit remanded the case to the district court so the damages award could be recalculated in light of its ruling and said that since it had vacated the finding of willfulness, the judge must reconsider the propriety of the awarding enhanced damages and attorneys' fees. It added that "we express no opinion" as to what the new award should be.

The patent at issue had three main claims, and the Federal Circuit affirmed the lower court's claim construction on two of them, but reversed claim construction on the third. As a result, it ordered the court to take that into account when recalculating the damages and prejudgment interest.

Pitt's patent covers technology aimed at improving radiation therapy by reducing damage to healthy tissue during treatment. It does so by turning the radiation beam on and off in sync with the patient's breathing so healthy tissue is not irradiated.

Pitt sued Varian in 2008, alleging that its patent was infringed by Varian's Real-Time Position

Management system, which turns radiation beams on and off in sync with a patient's movements. The judge granted summary judgment to Pitt that the system infringed several claims and that it acted despite a high likelihood that it infringed, one of the two prongs for a finding of willfulness.

Several remaining issues, including other factors involving willfulness, went to a jury for a trial, which ruled in favor of Pitt on the second willfulness prong, held that the patent was not invalid and awarded damages, which were later increased by the judge.

On appeal, a majority of the Federal Circuit panel, in a decision by Judge Kathleen O'Malley rejected Varian's argument that the lower court's claim construction of a key claim term was incorrect and that it did not infringe.

Judge Timothy Dyk dissented in part, writing that the judge's claim construction was "plainly incorrect" and that he would have vacated the finding of infringement.

Attorneys for the parties could not be reached Thursday for comment.

The patent-in-suit is U.S. Patent Number 5,727,554.

Federal Circuit Judges Alan Lourie, Timothy Dyk and Kathleen O'Malley heard the appeal.

Pitt is represented by Thomas Peterson, Bradford Cangro and William Quinn of Morgan Lewis & Bockius LLP.

Varian is represented by Donald Dunner, Kara Stoll and James Canfield of Finnegan Henderson Farabow Garrett & Dunner LLP.

The case is University of Pittsburgh v. Varian Medical Systems Inc., case number 2012-1575, in the U.S. Court of Appeals for the Federal Circuit.

--Editing by Richard McVay.