

Varian Settles With Pitt For \$35M After Fed. Circ. Ruling

By Jeff Sistrunk

Law360, Los Angeles (April 11, 2014, 7:39 PM ET) -- Varian Medical Systems Inc. said Thursday it will pay the University of Pittsburgh \$35 million to settle claims that it infringed the university's cancer-treatment device patent, the same day the Federal Circuit issued an opinion reversing in part a lower court's ruling in favor of the university.

Varian said the settlement with Pitt, which the parties reached earlier this year, was dependent upon Thursday's ruling by the appeals court. A three-judge panel for the Federal Circuit reversed a lower court's finding that Varian's infringement of Pitt's cancer-treatment device patent was willful and remanded the case so that a \$110 million damages award could be recalculated.

"Under this pre-negotiated settlement, Varian will not owe any future royalty payments associated with the sale of Varian products that incorporate the patent at issue," the company said in a statement. "Varian customers will continue to have full use of these products."

In its opinion, the appellate panel 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 appeals court panel said.

The Federal Circuit remanded the case to the district court so the damages award could be recalculated in light of its ruling, but Varian said the announced settlement has fully resolved the matter.

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 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.

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.

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

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.

--Additional reporting by Ryan Davis and Carolina Bolado. Editing by Philip Shea.
