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Re: Recent Intellectual Property Developments in Delaware

In the last few months, the United States District Court for the District of Delaware has issued a number of decisions of note in the intellectual property area. These decisions, a decision from the Court of Chancery and a recent jury verdict are discussed below. In addition, Judge Jordan's nomination to the Third Circuit Court of Appeals has been confirmed. On December 15, 2006, Chief Judge Robinson entered a standing order providing that all of Judge Jordan's civil cases shall be reassigned to the vacant judicial position. The order specifically states that "[b]ut for cases filed under 28 U.S.C. §§ 158, 1334, 2254, and 2255, all such civil cases, and all such cases henceforth assigned to the vacant judicial position, shall be referred to Magistrate Mary Pat Thyng for all pretrial proceedings, pursuant to 28 U.S.C. § 636(b)." In addition, the order provides that "[t]o the extent resources permit, the judges of the court shall endeavor to keep cases moving forward toward resolution, including resolution by trial."

I. PLEADINGS AND MOTIONS TO DISMISS

A. Judge Farnan Denies Defendant's Motion to Dismiss for Lack of Standing and Subject Matter Jurisdiction.

In Affymetrix, Inc. v. Illumina, Inc., C.A. No. 04-901-JJF (D. Del. Aug. 3, 2006), Judge Farnan denied defendant's motion to dismiss count two of plaintiff's complaint for lack of standing and subject matter jurisdiction. By its motion, defendant contended that the Court lacked jurisdiction to hear claim two of plaintiff's complaint because plaintiff never had legal title to the patent-in-suit and thus lacked standing to sue for infringement of the patent. Plaintiff contended that it did indeed have legal title to the patent-in-suit, as it acquired all rights in the invention as a result of a consulting agreement with the original owner. Judge Farnan held that the testimony of both the inventor and subsequent assignee supported the fact that legal title in the patent-in-suit had been effectively transferred to plaintiff by operation of law. Accordingly, the Court denied defendant's motion to dismiss.

B. Judge Sleet Grants Motion to Dismiss and Denies Motion to Amend.

In AngioDynamics, Inc. v. Diomed Holdings, Inc., C.A. No. 06-02-GMS (D. Del. Sept. 7, 2006), Judge Sleet granted defendant's motion to dismiss plaintiff's declaratory

judgment action on the grounds that plaintiff did not have a reasonable apprehension of imminent suit and denied plaintiff's motion to amend the complaint because the amendment would be futile. Plaintiff's declaratory judgment action was based on the following facts: (i) defendant has a history of defending its patents, including against plaintiff; (ii) defendant previously sued another company and a former employee for misappropriation of trade secrets; and (iii) a statement by defendant's president on an investor call indicating that plaintiff and another company were producing products embraced by a newly allowed patent. Judge Sleet found that, under applicable Federal Circuit precedent, none of these actions would give plaintiff a reasonable apprehension of suit, particularly since the comments at the investor conference were not directed to plaintiff and because defendant did not comment on possible infringement during the call.

Defendant's motion to dismiss addressed additional deficiencies in the complaint that were not addressed by the Court because the Court determined it did not have subject matter jurisdiction. Accordingly, Judge Sleet denied plaintiff's motion to amend as futile since it was directed to other alleged deficiencies and could not correct the defect in subject matter jurisdiction.

C. Judge Sleet Denies Motion to Dismiss.

In Positec USA, Inc., et al. v. Milwaukee Electric Tool Corporation, C.A. No. 05-890-GMS (D. Del. Sept. 25, 2006), Judge Sleet denied plaintiffs' motion to dismiss defendant's declaratory judgment action brought on the basis that defendant had no reasonable apprehension of imminent suit. Prior to plaintiffs filing suit on December 27, 2005, defendant sent four letters to various entities related to plaintiffs to inquire about possible infringement. In its final letter, defendant stated that it would "be forced to commence an infringement action" if plaintiffs' Chinese sister corporation did not cease activities by December 29, 2005. Judge Sleet held that defendant's letters to plaintiffs' sister corporations constituted "explicit and unambiguous threats to institute litigation." In addition, the Court was not persuaded by defendant's argument that the letter was directed only to manufacturers and importers. Accordingly, Judge Sleet held that plaintiffs had a reasonable apprehension of imminent suit and denied the motion to dismiss.

II. DISCOVERY

A. Judge Jordan Grants Defendants' Renewed Motion to Strike Plaintiff's Allegations Concerning Willful Infringement.

In Boehringer Ingelheim International GMBH, et al. v. Barr Laboratories, Inc., et al., C.A. No. 05-700-KAJ (D. Del. Jul. 6, 2006), Judge Jordan granted what was deemed defendants' renewed motion to strike plaintiff's allegations of willfulness and barred all discovery into whether the matter was an "exceptional case." At issue was whether defendants infringed on plaintiff's patents in an effort to market generic versions of drugs covered by plaintiff's patents. Defendant Mylan Pharmaceuticals Inc. ("Mylan") had previously filed a motion to strike plaintiff's allegations concerning willful infringement and to bar all discovery relating thereto. The Court denied that motion, but specifically noted that the denial was without prejudice

because the motion was premature. Judge Jordan considered the motion premature because it was unclear what, other than the filing of ANDAs, existed as evidence of willfulness.

Judge Jordan found Mylan's motion for reconsideration of the denial of the motion to strike inappropriate because Mylan did not present evidence in any of the categories required to succeed on a motion for reconsideration, namely (i) an intervening change in the controlling law, (ii) the availability of new evidence, or (iii) the need to correct a clear error of law or fact or to prevent manifest injustice. However, because the subsequent submissions of the parties made clear to the Court that no evidence of willfulness existed besides the filing of the ANDAs, and because the previous motion was denied without prejudice, the Court treated the motion as a renewed motion to strike rather than a motion for reconsideration. Furthermore, Judge Jordan considered the motion to be on behalf of all defendants, deeming co-defendants Barr Laboratories, Inc. and Barr Pharmaceuticals Inc. (collectively, "Barr") to have joined the motion. After reviewing precedent on willful infringement, the Court relied on Glaxo Group Ltd. v. Apotex, Inc., in which the Federal Circuit noted that "the mere filing of an ANDA cannot constitute grounds for a willful infringement determination." Although the district courts have split on the issue, Judge Jordan viewed the more recent and growing weight of precedent as holding that an ANDA filing, and accompanying paragraph IV certification, cannot support a charge of willful infringement. As a result, Judge Jordan found that the willfulness claims could not stand and granted defendants' renewed motion to strike. Judge Jordan noted, however, that his ruling did not mean that an exceptional case could not be found at some point if litigation activities provide additional evidence of willfulness.

B. Judge Jordan Denies Motion to Compel Disclosure of All Attorney-Client Communications.

In Ampex Corp. v. Eastman Kodak Co., et al., C.A. No. 04-1373-KAJ (D. Del. Jul. 17, 2006), Judge Jordan denied a motion seeking to compel defendants to disclose "all attorney-client communications between [defendant] and its trial counsel on the subject of infringement" in a case involving digital photography patents. Plaintiff relied on the 2006 Federal Circuit opinion in In re EchoStar Communications Corp. to argue that defendants waived the attorney-client privilege. Specifically, plaintiff argued that, in a patent case, an advice-of-counsel defense acts as a wholesale waiver of privilege for any communication between the client and any attorney. According to plaintiff, this would be true so long as the communication touched on the same topic as the opinion relied on by the client to defend against a charge of willfulness. Plaintiff further argued that such a waiver would apply without distinction to communications with both trial counsel and opinion counsel.

Judge Jordan rejected plaintiff's arguments as "far too broad" a reading of EchoStar and inconsistent with the generally understood contours of the attorney-client privilege. In EchoStar, the defendant attempted to use its inside counsel's opinion on infringement in litigation, but claimed as privileged its outside counsel's opinion on the same. In contrast, in this case, defendant received a non-infringement opinion from its in-house counsel three years before litigation commenced. Shortly before litigation commenced, defendant sought an infringement opinion from outside counsel, and shortly after litigation began, a non-infringement opinion was

provided by outside counsel. The Court found nothing “nefarious” about obtaining a non-infringement opinion from outside counsel after a prior non-infringement opinion from in-house counsel because there was nothing indicating the second opinion was being used as a “cover” for the first. Judge Jordan thus denied the motion to compel disclosure of attorney-client communications.

III. SUMMARY JUDGMENT AND PRE-TRIAL DECISIONS

A. Judge Farnan Denies Motion for Reconsideration of Partial Summary Judgment Ruling of Limitation on Damages.

In Power Integrations, Inc. v. Fairchild Semiconductor International, Inc. and Fairchild Semiconductor Corporation, C.A. No. 04-1371-JJF (D. Del. Aug. 22, 2006), Judge Farnan denied plaintiff’s motion to reconsider his June 2, 2006 Order granting defendants’ motion for partial summary judgment of limitation on damages under 35 U.S.C. § 287 (failure to mark). Specifically, plaintiff requested the Court to reconsider the portion of the Order granting defendants’ request to limit actual damages calculations to conditions occurring on or after the October 20, 2004 notice date. Plaintiff contended that the Court erred in failing to make a distinction between the calculation of damages and the recovery of damages under 35 U.S.C. § 287. Plaintiff contended that the marking statute precludes recovery of damages from prior to the notice period, but does not preclude plaintiff from using pre-October 20, 2004 sales data to calculate the rate of price erosion.

Relying on the plain language of Section 287(a) and the Federal Circuit’s decision in Nike, Inc. v. Wal-Mart Stores, Inc., defendants contended that Section 287(a) limits pre-complaint damages “however measured.” Defendants also contended that none of the cases cited by plaintiffs involved price erosion damages under Section 287, and that Section 287’s policy goal of providing competitors with constructive notice of patent protection so they can make informed decisions regarding sales of competing products is frustrated if the Court allows the amount of recoverable price erosion damages to be calculated using prenotice data. Thus, defendants argued that they should not be held liable for alleged price erosion that occurred prior to the filing of plaintiff’s complaint. After reviewing the parties’ respective arguments in light of the applicable law and the purpose of Section 287, Judge Farnan concluded that plaintiff failed to demonstrate circumstances justifying reconsideration of the Court’s Order.

B. Judge Farnan Grants Motion Compelling Plaintiff to Limit Claims.

In Power Integrations, Inc. v. Fairchild Semiconductor International, Inc. and Fairchild Semiconductor Corporation, C.A. No. 04-1371-JJF (D. Del. Aug. 22, 2006), Judge Farnan granted defendants’ motion to compel plaintiff to provide “pared down” infringement contentions for trial. Defendants filed their motion based on plaintiff’s failure to identify the asserted claims, the accused products and how the accused products will be grouped for purposes of the trial in this case. Defendants contended plaintiff prejudiced their ability to prepare for trial and requested the Court limit plaintiff to one claim per patent and three or four groups of products. In response, plaintiff contended that based upon the expert reports in this case, the

parties had a “mutual understanding” of what products were at issue and how they should be grouped. Plaintiff also contended that it provided defendants with an explicit stipulation that further narrowed the claims at issue from 18 to 12, but defendants refused the stipulation.

Judge Farnan held that pursuant to the Court’s Order at the pretrial conference, plaintiff was required to pare down its claims and specify its groups of products. Plaintiff failed to comply with the Court’s order. As for the pared down claims and groups of products, plaintiff was ordered to select one claim per asserted patent to litigate at trial and to specify three groups of products that will be at issue.

C. Judge Farnan Denies Motion for Reconsideration Bifurcating Issues of Infringement and Damages from Issues Related to Validity.

In Power Integrations, Inc. v. Fairchild Semiconductor International, Inc. and Fairchild Semiconductor Corporation, C.A. No. 04-1371-JJF (D. Del. Aug. 22, 2006), Judge Farnan denied defendants’ motion for reconsideration of his June 1, 2006 Order bifurcating the issues of infringement and damages from the issues related to validity. In defense to the claim of willful infringement advanced by plaintiff, defendants contended that they would rely upon the legal opinions received from counsel that the patents-in-suit were invalid. Defendants contended that this would necessarily bring the issue of invalidity before the first jury, and that invalidity and infringement were inextricably intertwined in this case such that many of the same witnesses would be testifying in both trials. Because the issues of infringement and invalidity are not distinct and separable, defendant contended that the bifurcation proposed by the Court would violate its Seventh Amendment right to a jury trial. After reviewing the parties’ respective arguments on the issue of bifurcation, Judge Farnan concluded that reconsideration of the Order was not warranted. As part of its inherent trial management authority, the Court has broad discretion to separate issues and claims for trial. In complex patent cases, this Court and others have routinely bifurcated the issues of infringement and validity.

Although the infringement and invalidity issues may involve the same evidence, defendant did not demonstrate that these issues, as presented in the context of this case, are the same issues such that the Court’s decision to bifurcate them violates defendant’s Seventh Amendment rights. Additionally, the Federal Circuit has, in an unpublished opinion, found no constitutional error in a trial court’s decision to bifurcate infringement and validity.

Defendant’s contention that there is a “significant chance” that each jury “would decide the same essential issue -- whether a particular circuit structure meets a specific claim element -- in very different fashions” was, in the court’s view, speculative. Judge Farnan held that the jury will be instructed regarding claim construction by the Court, and the Court is not persuaded that its claim construction instruction will be applied differently by the two juries. As for defendant’s argument concerning the complexity of the damages issue in this case, the Court held that any issues concerning damages can be rectified by an appropriate jury verdict form and the recalculation of damages by the Court, if necessary, after the trial on invalidity. In sum, Judge Farnan concluded that defendant failed to establish that reconsideration of the Court’s bifurcation order was warranted. Accordingly, the Court denied the motion for reconsideration.

D. Judge Farnan Denies Motion *in Limine* to Preclude Defendants from Presenting Expert Testimony Beyond the Scope of their Experts' Reports.

In Power Integrations, Inc. v. Fairchild Semiconductor International, Inc. and Fairchild Semiconductor Corporation, C.A. No. 04-1371-JJF (D. Del. Aug. 22, 2006), Judge Farnan denied plaintiff's motion *in limine* to preclude defendants from presenting expert testimony beyond the scope of their technical experts' reports. Specifically, plaintiff contended that a "supplementary" expert report was provided the evening before one expert's deposition, which changed his patent analysis and relied on "new" prior art that he had not addressed in his opening expert report. Plaintiff also contended that after the Court's discovery cut-off, another expert improperly offered an opinion that certain prior art references rendered the patents-in-suit obvious, even though his expert report contained only conclusory statements about obviousness.

The Court reviewed the supplemental report in light of the disclosures in his original expert report and the arguments of the parties, and concluded that the supplemental report should not be excluded. Judge Farnan was not persuaded by plaintiff's argument that it was prejudiced by the report. Although plaintiff pointed out that the supplemental report was produced the day before the expert's deposition was scheduled to go forward, plaintiff failed to mention that the actual deposition was postponed, at the request of plaintiff, for an additional 18 days after service of the supplemental report. In these circumstances, the Court concluded that plaintiff had ample opportunity to review the supplemental report and question the expert about its contents at his deposition.

As for the other expert's charts produced the morning of his deposition, the Court noted that these "revised" charts consist of the expert's handwritten notes in the margins of the claim charts contained in his original expert report. The expert produced these notes in compliance with plaintiff's subpoena requesting all of his notes and documents. The Court reviewed the notes made by the expert and concluded that they contained either minor corrections to the claim charts of a typographical nature, or were opinions that were consistent with or narrower than those that were disclosed in the body of his original expert report. For example, the expert's notes strike out invalidity arguments that he no longer wished to advance and corrected designations to certain references. Plaintiff also generally contended that the expert's claim charts did not provide any detailed support for his conclusions regarding invalidity. In the Court's view, however, the expert's original report, as well as the attached claim charts, were sufficiently detailed to support his opinions. Accordingly, the Court denied plaintiff's motion to exclude the testimony of the expert as it related to invalidity.

E. Judge Jordan Rules on Parties' Summary Judgment Motions.

In Pharmacia & Upjohn Co. v. Sicor Inc. and Sicor Pharmaceuticals, Inc., C.A. No. 04-833-KAJ (D. Del. Aug. 17, 2006), Judge Jordan construed four claims of the patent-in-suit and addressed four summary judgment motions filed by the parties in advance of the November 20, 2006 jury trial. Defendants filed a motion for summary judgment of non-infringement or, in the alternative, invalidity for lack of written description. Defendants also filed a motion for summary judgment on anticipation. Plaintiff filed a motion for summary judgment on

defendants' unclean hands affirmative defense and a motion for summary judgment on defendants' anticipation affirmative defense. By way of background, the case involved a sterile, pyrogen-free, ready-to-use solution of an anthracycline glycoside that is used in the treatment of tumors. Plaintiff accused defendant of willfully infringing claims 9 and 13 of the '285 patent. Defendant denied infringement and counter-claimed that the patent was invalid and unenforceable because of plaintiff's inequitable conduct. Defendant also asserted the affirmative defenses of unclean hands, equitable estoppel and laches. The Court held, based on its construction of the term "anthracycline glycoside," that defendants' motion for summary judgment of non-infringement must be denied. Further, fact issues remained as to whether the written description of the '285 patent was sufficient to support the claims; therefore, Judge Jordan denied defendants' motion for summary judgment on invalidity for lack of written description. Based on the adoption of plaintiff's construction of the term "sealed container," Judge Jordan granted plaintiff's motion for summary judgment on defendants' anticipation affirmative defense. Fact issues remained as to whether the drug was in a "sealed container," as defined by the Court, thus defendants' motion for summary judgment on anticipation was denied. Finally, plaintiff's motion for summary judgment on defendants' unclean hands affirmative defense was deemed by the Court to be more appropriately brought as a motion *in limine* to exclude evidence; therefore, Judge Jordan denied the motion without prejudice.

IV. POST-TRIAL DECISIONS

A. Chief Judge Robinson Denies Defendants' Motion for JMOL or, in the Alternative, for a New Trial.

In Praxair, Inc. v. ATMI, Inc., et al., C.A. No. 03-1158-SLR (D. Del. Aug. 17, 2006), Chief Judge Robinson denied defendants' motion for JMOL or, in the alternative, for a new trial. The case was originally tried to a jury, and on December 7, 2005, the jury returned a verdict in favor of plaintiff, finding that all of the asserted claims were infringed by defendants and the patents-in-suit were not invalid.

Defendants asserted that no reasonable jury could have found that defendants' products infringed any of the asserted claims of the patents-in-suit. Defendants first presented an evidentiary challenge, arguing that sufficient evidence was not produced that would have enabled a jury to find that certain structures of the claimed invention were present in the infringing device. Chief Judge Robinson denied defendants' evidentiary challenges. Defendants also asserted that the reverse doctrine of equivalents applied. Chief Judge Robinson dismissed this argument, simply stating that defendants provided no evidence that the accused component was not dissimilar to those contemplated by the patentee.

In their motion for a new trial, defendants claimed that the Court's exclusion of arguably relevant evidence unduly prejudiced defendants. Specifically, Chief Judge Robinson precluded use of certain evidence, including more than 50 prior art references, because defendants had failed to timely disclose the evidence prior to the close of fact discovery. Chief Judge Robinson determined that the only way to cure the untimely disclosure was to extend discovery and reschedule trial, a resolution "patently unfair to plaintiff" and one that the Chief Judge was

unwilling to implement. Chief Judge Robinson therefore denied the relief requested by defendants and left the jury's verdict undisturbed.

B. Chief Judge Robinson Defers Ruling on Inequitable Conduct after a Bench Trial.

In Praxair, Inc. v. ATMI, Inc., et al., C.A. No. 03-1158-SLR (D. Del. Aug. 17, 2006), Chief Judge Robinson held a bench trial regarding defendants' inequitable conduct defense after the jury returned a verdict in favor of plaintiff finding all claims of the patents-in-suit infringed. Defendant accused plaintiff and its agents/attorneys of intentionally withholding earlier patents and prior art from the PTO. Chief Judge Robinson held that the earlier patents and most of the asserted prior art were material to the prosecution of the patents-in-suit. However, because the attorney for the plaintiff testified as to the substance of conversations he had with various representatives of the plaintiff, Chief Judge Robinson concluded that the attorney-client privilege had been waived. In light of this waiver, defendants had not been able to adequately question the attorney regarding an intent to deceive the PTO, so findings on deceptive intent were deferred.

C. Judge Farnan Enters Judgment in Favor of Plaintiffs and Against Defendants on Plaintiffs' Claims of Infringement and Inducement of Infringement and on Defendants' Claims of Invalidity.

In Forest Laboratories, Inc., et al., v. Ivax Pharmaceuticals, Inc. and Cipla Ltd., C.A. No. 03-891-JJF (D. Del. July 13, 2005), following a bench trial, Judge Farnan entered judgment in favor of plaintiffs and against defendants on defendants' counterclaims of invalidity and unenforceability. Plaintiffs brought an action against defendants alleging infringement based on defendants' submission of an ANDA to the FDA. Defendants counterclaimed seeking a declaratory judgment that the patent-in-suit was anticipated under 35 U.S.C. § 102 and invalid as obvious under 35 U.S.C. § 103. Defendants also sought a declaratory judgment that the patent-in-suit was unenforceable due to inequitable conduct. Prior to trial, and based on an agreed-upon claim construction, the parties stipulated that defendants' process for making the proposed generic products would infringe certain claims of the patent-in-suit. Because the parties stipulated to infringement, the only issues that remained for adjudication by the Court were defendants' counterclaims of invalidity and unenforceability. Judge Farnan first concluded that the patent-in-suit was not anticipated because the lack of guidance in the prior art and the real-world failure of others coupled with the risks and variables involved with practicing the patent-in-suit demonstrated that a person of ordinary skill in the art could not practice the claimed invention without undue experimentation. Next, Judge Farnan held that defendants had not demonstrated by clear and convincing evidence that the patent-in-suit was obvious. The Court found compelling plaintiffs' evidence demonstrating that the patented invention is unprecedented in the prior art and that one skilled in the art would not have been able to make the invention without undue experimentation. Finally, Judge Farnan held that defendants did not establish that the patent-in-suit is unenforceable as a result of inequitable conduct. First, defendants failed to establish that the references and alleged misstatements were material. In addition, Judge Farnan determined that defendants failed to establish by clear and convincing evidence that plaintiffs intended to mislead the PTO. Further, the Court held that even if such an intent to mislead had

been shown with respect to a material reference, it was not persuaded that the circumstances of the case warranted a finding of inequitable conduct. Accordingly, Judge Farnan entered judgment in favor of plaintiffs and against defendants on defendants' counterclaims of invalidity and unenforceability as a result of inequitable conduct.

D. In Bifurcated Trial, Judge Jordan Finds Patent Infringement by Defendants; Willfulness and Damages Still to Be Decided.

In Novozymes A/S v. Genencor International, Inc. and Enzyme Development Corp., C.A. No. 05-160-KAJ (D. Del. Aug. 24, 2006), Judge Jordan construed two claim terms of the patent-in-suit and held that defendants literally infringed claims 1, 3 and 5 of the patent-in-suit. The Court further held that these claims were not invalid for obviousness or lack of enablement and the patent-in-suit was not unenforceable due to inequitable conduct or prosecution laches. By way of background, these rulings were part of the first half of a bifurcated trial addressing claim construction and liability, while willfulness and damages were left to a second trial beginning in October. The technology at issue relates to the protein engineering of alpha-amylase enzymes, which are used in the processing of starches in various commercial applications, particularly in the production of fuel ethanol. The specific aspect of these alpha-amylase enzymes at issue was increased thermostability. Although defendants made a *prima facie* showing that the claims were obvious, Judge Jordan ruled that plaintiff's evidence of unexpected results rebutted this showing. Judge Jordan also held that defendants failed to meet their burden in showing that claims 1 and 3 of the patent-in-suit were invalid for lack of enablement. The Court ruled that a mere large number of possible variants of alpha-amylase enzymes that meet the definitions of claims 1 and 3 was insufficient to show a lack of enablement. Likewise, Judge Jordan ruled that defendants had met neither the materiality nor intent requirements needed to succeed on a defense of inequitable conduct. Finally, although Judge Jordan found the delays by plaintiff in prosecuting its claim "troubling," they did not rise to the level of an egregious misuse of the system that would support a prosecution laches defense.

V. TRANSFER

A. Judge Farnan Denies Defendant's Motion to Stay Action and Transfer Action to the Southern District of New York.

In Zoetics, Inc. and Zoemail, LLC v. Yahoo!, Inc., C.A. No. 06-108-JJF (D. Del. July 6, 2006), Judge Farnan denied defendant's motion to stay the action and transfer the action to the Southern District of New York. Plaintiffs initiated the action seeking damages and injunctive relief from defendant for its alleged infringement of two patents. Approximately a year-and-a-half prior to the filing of the complaint, plaintiffs filed for chapter 11 bankruptcy. As a result of this filing, third party AT&T filed a secured claim against plaintiffs in the United States Bankruptcy Court for the South District of New York based on a purported security interest it retained in the patents-in-suit. By its motion, defendant sought a stay until the ownership of the patents-in-suit was resolved, arguing that it would simplify the issues in this case and would not unduly prejudice plaintiffs. Judge Farnan denied defendant's motion to stay the action, holding that there was no indication that the issue of patent ownership would be imminently resolved by

the Bankruptcy Court and that granting a stay would prejudice plaintiffs. Judge Farnan further held that defendant had not carried its burden of negating plaintiffs' choice of forum and therefore denied defendant's motion to transfer the action to the Southern District of New York. Judge Farnan reasoned that the potential unavailability of the attorneys who prosecuted the patent -- the sole factor weighing in favor of transfer -- was insufficient to overcome the paramount consideration of plaintiffs' choice of forum.

B. Judge Farnan Grants Defendant's Motion to Transfer the Action to the Northern District of California.

In Cashedge, Inc. v. Yodlee, Inc., C.A. No. 06-170-JJF (D. Del. July 19, 2006), Judge Farnan granted defendant's motion to transfer the case to the Northern District of California, holding that both public and private interests supported transfer of the case. Defendant argued that transfer was appropriate primarily on two grounds: (i) plaintiff's allegations of infringement of the patent-in-suit are related to the allegations in the pending California action; and (ii) certain patents in the California action are prior art to the patent-in-suit and form the basis of defendant's inequitable conduct defense. Judge Farnan agreed with defendants on both grounds, holding that the Northern District of California is more convenient for the parties because the parties and potential witnesses are located in that district, the parties have proven capable to litigate there, and the Court is already familiar with the parties and their technologies. Additionally, Judge Farnan concluded that the public's interest also supports transfer, as a single forum for adjudication of the disputes would conserve considerable judicial resources.

VI. CLAIM CONSTRUCTION

A. Judge Farnan Construes Claims Less than Four Months after the *Markman* Hearing.

In Affymetrix, Inc. v. Illumina, Inc., C.A. No. 04-901-JJF (D. Del. Aug. 3, 2006), Judge Farnan presented his claim construction of the disputed terms and phrases of the patents-in-suit. In construing the disputed terms, Judge Farnan relied upon the ordinary and accustomed meaning of words in the claims. Judge Farnan issued his claim construction less than four months after the Markman hearing was held.

VII. JURY VERDICTS

A. Jury Finds in Favor of Plaintiff and Against Defendants.

In LG Philips LCD Co., Ltd. v. Tatung Company, Tatung Company of America, Inc., Chungwa Picture Tubes, Ltd., and Viewsonic Corporation, C.A. No. 05-292-JJF (D. Del. July 27, 2006), the jury returned a verdict finding that defendants did not literally infringe the claims of the patent-in-suit, but that defendants willfully infringed the patent-in-suit under the doctrine of equivalents. The jury awarded damages in the amount of \$52,477,000.

VIII. STATE LAW CASE

A. **Chancery Court Grants Injunctive Relief to Enforce Branding and Marking Rights.**

In Horizon Personal Communications, Inc. et al. v. Sprint Corporation, et al., C.A. No. 1518-N (Del. Ch. Aug. 4, 2006), Vice Chancellor Parsons ruled on a breach of contract action that was one of two co-pending actions arising out of the merger of Nextel Communications, Inc. (“Nextel”) with and into a subsidiary of Sprint Corp. (“Sprint”). Plaintiffs were companies with agreements to provide exclusively Sprint services in certain geographic areas (“Affiliates”). Affiliates had the right to use Sprint trademarks in their marketing. Plaintiffs asserted claims of breach of contract and anticipatory breach of contract against the two pre-merger companies and the combined entity (“Sprint Nextel”). Plaintiffs also asserted claims of tortious interference with contract against defendant Nextel and civil conspiracy to breach plaintiffs’ contracts against all of the defendants. Plaintiffs sought declaratory and injunctive relief with respect to their allegedly exclusive branding rights, Sprint Nextel’s alleged favoring of the legacy Nextel business over plaintiffs’ business, and the scope of the confidentiality provisions contained in the parties’ agreements.

The Chancery Court held that Sprint Nextel would violate the implied duty of good faith and fair dealing if it offered certain products and services associated with Nextel’s technology using the same or a confusingly similar brand and marks as the Affiliates (*i.e.*, the Sprint or Sprint Nextel brand and marks), or re-branded Nextel’s legacy stores with such a brand and mark in the Affiliates’ service areas. The Court held that applicable legal principles mandated a finding that the Affiliates would suffer irreparable harm if Sprint Nextel proceeded as it wished in the Affiliates’ service areas. Similarly, the possibility of trademark confusion stemming from the Affiliates and Sprint Nextel’s use of the identical brand and marks in the service areas for different and directly competing products and services led to the conclusion that irreparable injury would result. The Chancery Court held that Sprint Nextel’s planned actions contravened certain fundamental principles of trademark law and contemplated use of Sprint Nextel’s brand and marks in a way likely to harm the Affiliates’ business. The Affiliates were entitled to a permanent injunction to enforce their rights with respect to Sprint Nextel’s brand and marks in their service areas.

If you would like further information or a copy of any of the decisions or the jury verdict discussed above, please do not hesitate to call.

Happy Holidays and best wishes for a healthy and prosperous New Year.