



TECHNOLOGY LAW UPDATE

Stephens
v.
Tech Int'l, Inc.

No. 04-1215
Federal Circuit
Dec. 29, 2004

A frivolous infringement suit is one which the patentee knew or, on reasonable investigation, should have known was baseless. [A]n exceptional case finding is not to be based on speculation or conjecture but upon clear and convincing evidence.

On December 29, 2004, the Federal Circuit reversed the district court's grant of Tech's motion under 35 U.S.C. § 285 for attorney fees after the parties settled Stephens' suit alleging infringement of U.S. Patent No. 6,162,647, which related to the removal of unwanted substances from human urine samples using chromium trioxide. The Federal Circuit stated:

[A] "court in exceptional cases may award reasonable attorney fees to the prevailing party." Such "exceptional" cases involve inequitable conduct before the PTO, litigation misconduct, vexatious and otherwise bad faith litigation, frivolous suit or willful infringement. None of those circumstances is present here. "A frivolous infringement suit is one which the patentee knew or, on reasonable investigation, should have known was baseless." . . .

While the '647 patent does not use the word "salt," the compelling evidence in this case that persons of skill in the field of urinalysis know of chromic acid and sodium dichromate's interchangeable use for removal of unwanted substances in urine samples outweighs that fact. . . . Because the use of chromic acid encompasses the use of sodium dichromate in the field of urinalysis, Spectrum had adequate grounds to believe that Tech directly infringed the '647 patent. Thus, the district court erred by finding Spectrum's suit for literal infringement to be frivolous and in bad faith.

The district court also erred in finding that Spectrum had no basis for suing under the doctrine of equivalents. [T]he court said that Spectrum had given up any claim to the salt when it narrowed its claims to include only chromium trioxide in the face of Nebinger's prior art, which taught the use of sodium dichromate. . . . In light of the record as a whole, Spectrum inherently claimed the use of sodium dichromate when it claimed chromium trioxide.

[The district court erred] in finding that Spectrum's otherwise valid [35 U.S.C. § 154] notice amounted to misconduct. [S]pectrum did not harass Tech by sending the section 154 notice while the '222 application was being amended. The application was actually amended after the section 154 notice was sent to Tech. Further, Spectrum was not required to withdraw its section 154 notice; it believed Tech still infringed the amended claims, and had a right to await possible patent issuance to see if its infringement allegations were correct. Third, the fact that no Information Disclosure Statement ("IDS") accompanied the '222 application is not, standing alone, evidence of wrongdoing. . . . Nothing in section 154 required that Spectrum file an IDS prior to delivering notification of potential infringement. Finally, the mere timing of Spectrum's section 154 notice to Tech (during settlement negotiations after the trial court's noninfringement finding) did not raise Spectrum's actions to the level of litigation misconduct.

The district court's third basis for its exceptional case finding was Spectrum's background investigation and credit check of Haddad. The court relied heavily on the fact that these activities occurred after its summary judgment order of noninfringement, stating that the court could "imagine no legitimate litigation interest" served by the investigations. [A]n exceptional case finding is not to be based on speculation or conjecture but upon clear and convincing evidence. . . . The facts cited in the section 285 order do not provide clear and convincing evidence that Spectrum's investigation and credit check constituted vexatious behavior.