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No New Trial For Applied In Covidien IP Spat: Court

By **Erin Marie Daly**

Law360, New York (February 25, 2009) -- A federal appeals court has denied Applied Medical Corp.'s bid for a new trial in the wake of a jury verdict that a Covidien AG subsidiary did not infringe the company's patent for trocar seal technology, affirming a lower court ruling.

In a ruling Tuesday, a three-judge panel of the U.S. Court of Appeals for the Federal Circuit rejected Applied's argument that the U.S. District Court for the Central District of California had wrongly quashed its request for disqualification of the verdict or a new trial last April.

In denying Applied's request, the district court had emphasized the soundness of a February 2008 noninfringement ruling for U.S. Surgical, a subsidiary of Covidien, formerly Tyco Healthcare LP.

Applied had claimed the jury's verdict was flawed because U.S. Surgical had improperly predicated its defense on aspects of the disputed trocar device that were irrelevant to the infringement claims.

Trocars are devices used to provide channels for other instruments during laparoscopic surgery and often include a "floating septum seal" that permits an instrument inserted into a trocar to move off-axis, or float.

The district court reiterated in its ruling last April the relevance of the outer portions of the septum valve, which U.S. Surgical used to differentiate its technology from the invention protected by Applied's U.S. Patent Number 5,385,553.

The five-week trial presented substantial evidence that the outer portions were critical to the "ring-levers-teeth" embodiment function disclosed in the '553 patent, the district court said, adding that "the indisputable fact in this case is that the outer portions of the septum valve in the RLT embodiment do exist and they are relevant to the way in which that embodiment performs the floating function."

In its appeal of the April ruling to the Federal Circuit, Applied argued that the district court had committed reversible error by allowing U.S. Surgical to repeatedly argue to the jury that the deformation of the outer valve portions was relevant to the "way" in which the ring-levers-teeth embodiment performed the "permitting to float" function.

Applied maintained that because the outer valve portions were not part of the structure identified in the court's construction, they were legally irrelevant to the way in which that structure performed the claimed functions.

By allowing U.S. Surgical to argue that the deformation of the outer portions was the "9,000 pound gorilla that decides the case," Applied contended, the district court violated both the mandate from the prior appeal and Federal Circuit precedent.

But the appeals court rejected that line of reasoning in its ruling Tuesday, saying its precedent had made clear that a court must not import unclaimed functions into means-plus-function limitations.

"In other words, a court cannot require the structure in the accused device to perform functions that are not present in the claim," the appeals court said.

A court cannot require, as part of the "way," analysis functions that were not properly identified during claim construction, the appeals court added, but this doesn't mean that aspects of the claimed invention beyond those stated in the means-plus-function limitation are necessarily irrelevant to the "way" in which the disclosed structure works.

"Indeed, such a rule would conflate the 'way' and 'function' prongs of the function-way-result test because under that rule any articulation of why the 'way' in which the accused device operates is different than the 'way' in which the identified structure operates would be, by definition, a description of either an irrelevant extraneous function or an improper additional function," the appeals court said.

The panel added that while it appreciated Applied's concerns about a roving "way" analysis that permits defendants to confuse or mislead the jury by seizing upon structural differences that are in no way related to the means-plus-function limitation, it concluded that U.S. Surgical's references to the outer valve portions comported with Federal Circuit precedent.

"Even using Applied's approach, we conclude that the outer portions are an 'integral part' of the septum valve and can be considered as part of the 'way' analysis," the appeals court said.

Glen Summers, an attorney at Bartlit Beck Herman Palenchar & Scott LLP, said Covidien was very pleased with the decision.

"In light of this decision, we now have a final and absolute determination that Covidien's VersaPort Plus trocar products do not infringe Applied Medical's intellectual property," Summers said. "As a result, Covidien and its customers can continue to use this important product."

An attorney representing Applied Medical did not immediately respond to requests for comment Wednesday.

The prolonged infringement suit has taken many twists and turns in the five years since Applied filed its complaint, claiming U.S. Surgical's second redesign of its Versaseal Plus trocar product continued to violate Applied's patent.

In February 2005, the district court granted summary judgment of noninfringement to U.S. Surgical.

In May 2006, the Federal Circuit reversed the lower court's decision, ruling that the claim construction adopted by the district court had factual gaps. The appellate court remanded the motion for summary judgment, and the district court denied it.

Then, after the Federal Circuit's ruling in *In re Seagate Technology LLC*, U.S. Surgical asked the district court to reconsider its ruling in light of *Seagate*. However, in December 2007, Judge Carney ruled that Applied had met the *Seagate* standard and could continue to bring its allegations of willful infringement against U.S. Surgical.

The ruling marked the first time a court allowed a willfulness claim to go to trial since the *Seagate* ruling, which changed the standard for determining when infringement is willful.

Before *Seagate*, companies had an affirmative duty to exercise due care not to infringe existing patents, including obtaining legal advice from a patent counsel before creating a product that could be infringing.

Now, a patent holder needs to offer proof that a company was "objectively reckless" in willfully infringing its patents before bringing the charge.

Applied is represented in the matter by Knobbe Martens Olson and Bear LLP.

U.S. Surgical and Tyco (now Covidien) are represented by Bartlit Beck Herman Palenchar & Scott LLP and Paul Hastings Janofsky & Walker LLP.

The case is *Applied Medical Resource Corp. v. U.S. Surgical Corp. and Tyco Healthcare Group LP*, case number 2008-1416, in the U.S. Court of Appeals for the Federal Circuit.

--Additional reporting by Samuel Howard, Erin Coe and Brendan Pierson

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