

FEDERAL CIRCUIT PATENT LAW CASE UPDATE

Applied Med. Res. Corp. v. United States Surgical Corp., 05-1149 (Fed. Cir. Jan. 24, 2006) (Lourie, J.)

The court affirmed damages and willfulness determinations in Applied's suit against U.S. Surgical for infringement by U.S. Surgical's Versaport II laparoscopic surgery device. This followed an earlier infringement suit where Applied was successful in asserting its patent against the Versaport I. Collateral estoppel did not justify holding the damages in the second suit to the seven percent royalty rate applied in the first suit.

Applied owns U.S. Patent 5,385,553, entitled "Trocar With Floating Septum Seal."

The invention relates to surgical devices called trocars, which are used as access ports into the abdomen during laparoscopic surgery. . . . The invention of the '553 patent eliminates the need for adapters . . . using a "floating seal."

Laparoscopic surgery uses gas to inflate the abdomen. The seal is necessary to keep the gas from escaping during the procedure, which could cause complications.

The present appeal arises from a long litigation history between the two parties. An earlier infringement suit (Applied I) went in favor of Applied, leading U.S. Surgical to redesign its trocar, called the Versaport II. This second version was also found to infringe.

In the second suit (Applied II), U.S. Surgical sought to apply the seven percent royalty rate from the first litigation under principals of collateral estoppel. The court, however, disagreed that the "district court erred in refusing to give collateral estoppel effect to the 7% reasonable royalty rate found by the jury in [the earlier litigation]." The court did not view the royalty rate issue for Versaport I and Versaport II as identical: "a reasonable royalty determination for purposes of making a damages evaluation must relate to the time infringement occurred."

The infringement in Applied II was caused by sales of Versaport II, which began in 1997, whereas the infringement in Applied I was caused by sales of Versaport I, which began in 1994. Because Versaport I and Versaport II caused two separate infringements, and each infringement commenced on a different date, it follows that the reasonable royalties may well be different from each other. . . .

Further, we reject U.S. Surgical's contention that the district court's denial of collateral estoppel for purposes of damages is inconsistent with its grant of collateral estoppel for purposes of validity. A conclusion in Applied I that the patent is not invalid properly estops U.S. Surgical from making the same arguments in Applied II. The issue is the same.

The court also affirmed the district court's denial of U.S. Surgical's motion for judgment as a matter of law of no willful infringement.

Applied presented evidence from which a jury could reasonably infer that U.S. Surgical desperately needed a universal seal trocar to remain competitive in the surgical business, that U.S. Surgical's management did not properly oversee or adequately participate in the development of Versaport II, and that U.S. Surgical's management placed intense time pressure on their engineers to create a new product. At trial, U.S. Surgical produced three written opinions from outside counsel dated May 29, 1997, May 30, 1997, and June 30, 1997, in an attempt to show that it relied on legal advice to make and sell the infringing trocars. However, the first letter was simply "ship[ped] off in the mail," the second letter did not address infringement of the claims of the '553 patent and was limited to the issue of contempt, and the third letter arrived after U.S. Surgical began selling Versaport II. Based on this evidence, a jury could have reasonably concluded that U.S. Surgical paid little if any attention to the opinion letters.

Finally, the court affirmed the evidentiary ruling allowing into evidence in Applied II information about Applied I.