

Keywords: preliminary injunction; infringement; Section 272; importation; international commerce; invalidity defense; obviousness; “one of ordinary skill in the art.”

General: If a vehicle that uses a patented invention is in the United States for the sole purpose of engaging in international commerce, then this vehicle qualifies as being “temporarily” in the United States, and 35 U.S.C. § 272 defines such use as noninfringing. Additionally, at the preliminary-injunction phase, once the accused infringer has posed a substantial question of invalidity, the patentee must demonstrate that the invalidity defense lacks substantial merit.

National Steel Car Ltd. v. Canadian Pacific Railway Ltd.

69 U.S.P.Q.2d 1641(Fed. Cir. 2004)

Decided January 29, 2004

I. Facts

National Steel Car, Ltd. (National) is the assignee of U.S. Patent No. 4,951,575 (‘575 patent), which relates to a railway car used to transport lumber. Specifically, the ‘575 patent relates to a “depressed center-beam flat car.” Advantageously, the railway car described and claimed in the ‘575 patent facilitates the transportation of a greater volume of lumber in comparison to traditional railway cars.

Canadian Pacific Railway (CPR), a Canadian railroad transportation company that transports Canadian lumber to the United States for sale, solicited quotes for a new fleet of railway cars. Although National was one of the bidding companies, CPR awarded the twenty-five million dollar contract for the railway cars to Greenbrier, a U.S. company with a Canadian production facility. As part of the sale, Greenbrier contractually agreed to defend patent-infringement suits brought against CPR, to indemnify CPR against any damages resulting from such suits and to provide a suitable remedy if CPR was enjoined from using the purchased railway cars. CPR, for the most part, intends to use the purchased railway cars solely to transport Canadian lumber into the United States for sale.

Once CPR informed National that Greenbrier had presented the winning bid, National sued CPR in the Eastern District of Pennsylvania for infringement of its ‘575 patent. Specifically, National based this action on CPR’s intended use of Greenbrier’s railway cars, which National contends infringe the ‘575 patent. (In a separate action, National also sued Greenbrier for infringement.) National also moved for a preliminary injunction to enjoin CPR from making, using, selling, offering to sell or importing into the U.S. the allegedly infringing railway cars.

During the preliminary injunction proceedings, CPR conceded that the ‘575 patent read on the purchased railway cars but raised defenses to infringement. First, CPR claimed that 35 U.S.C. § 272 statutorily defines CPR’s intended use of the railway cars as noninfringing. By way of background, Section 272 states that a vehicle “entering the United States only temporarily or accidentally, shall not constitute infringement of any patent, if the invention is used exclusively for the needs of the ...vehicle.” National, however, asserted that CPR’s intended use would not be temporary, as the railway cars would spend the majority of their time delivering lumber to the U.S. locations. Furthermore, National asserted that the primary purpose of the railway cars is to deliver lumber to the U.S. Accordingly, National further asserted that CPR’s intended use cannot be viewed as temporary or accidental. The district court agreed with National’s assertions.

Second, CPR alleged that the ‘575 was invalid as anticipated by and obvious in view of certain prior art references. Particularly, CPR asserted an obviousness argument based on two references:

the Wagner reference (U.S. Patent No. 3,743,031) and the Udstad reference (U.S. Patent No. 2,999,020). Interestingly, CPR relied primarily on two pieces of extrinsic evidence (i.e., not the Wagner and Udstad reference) to demonstrate the motivation to combine the Wagner and Udstad references. Specifically, CPR presented the “Lund drawing,” which is an engineering sketch by a designer who works in the area of freight car design, and the “Prichard disclosure,” which is described by the Federal Circuit as items evidencing discussions regarding ideas for railcar designs. National argued, and the district court agreed, that the “Lund drawing” and the “Prichard disclosure” are not prior art and, as such, not pertinent to a discussion regarding the motivation to combine the Wagner and Udstad references.

Accordingly, the district court determined that neither of CPR’s defenses presented a substantial question precluding the entry of a preliminary injunction and granted the preliminary injunction. CPR, of course, appealed, and this injunction is the subject of the present case.

II. Issues

1. Did the district court, for the purposes of a preliminary injunction, properly determine that CPR’s intended use of the purchased railway cars fails to qualify as “temporarily” in the U.S. and, as such, does not fall under the purview of Section 272?
2. Did the district court, for the purposes of a preliminary injunction, properly determine that CPR’s invalidity defense lacks substantial merit?

III. Discussion

1. No. The Federal Circuit began its interpretation of Section 272 by turning to the legislative history of this section. In summary, the Federal Circuit notes that Section 272 merely codifies the holding of the Supreme Court in *Brown v. Dushesne*: An owner of a patent related to the rigging of a sailing ship had no cause of action of infringement against the master of a French schooner that voyaged between Boston and a colony of France and that embodied the invention simply because the schooner was in an American port. The Federal Circuit looked also to the two previous cases that applied Section 272 and determined that “entering ‘temporarily,’ as the word is used in Section 272, is entering for a period of time of finite duration with the sole purpose of engaging in international commerce.” Based on this interpretation of Section 272, the Federal Circuit concluded that the district court abused its discretion in holding that CPR’s Section 272 defense lacked substantial merit.
2. No. The Federal Circuit noted that, at the preliminary-injunction phase, once the accused infringer has posed a substantial question of invalidity, the patentee must demonstrate that the invalidity defense lacks substantial merit. With this in mind, the Federal Circuit looked primarily to CPR’s assertion regarding the obviousness of the ‘575 patent in view of two references: the Wagner reference (U.S. Patent No. 3,743,031) and the Udstad reference (U.S. Patent No. 2,999,020).

First, the Federal Circuit determined that CPR, with the Wagner and Udstad references, presented a strong case that the prior art disclosed all of the features recited in the salient claims of the ‘575 patent. Furthermore, the Federal Circuit determined that National failed to overcome this case for the purposes of a preliminary injunction. However, the Federal Circuit emphasized that “our conclusion reaches only to an assessment of the strength of CPR’s case on the record before us, not to final adjudication on the merits.”

Second, the Federal Circuit determined that, for the purposes of a preliminary injunction, sufficient motivation to combine the Wagner and Udstad references existed. Even if the “Lund drawing” and the “Prichard disclosure” are not prior art, these items still evidence that

a motivation to combine the Wagner and Udstad references is found implicitly in the knowledge of one ordinary skill in the art of rail car design. Accordingly, the Federal Circuit found the district court in error, as the district court summarily dismissed the “Lund drawing” and the “Prichard disclosure” for failing to achieve the status of prior art.

Based on the foregoing, the Federal Circuit reversed the district court’s preliminary injunction.