Keywords: contempt; sanctions; attorneys' fees; costs; exceptional case; misuse; antitrust

General: Plaintiff conducted reasonable inquiry before filing suit for infringement of therapeutic method patent, even though plaintiff did not conduct chemical analysis of accused product, and subsequently abandoned action upon learning that defendant's product contained no more than .00005 percent of composition claimed as principal active ingredient of invention.

Q-Pharma Inc. v. Andrew Jergens Co.
70 U.S.P.Q.2d 1001 (Fed. Cir. 2004)
March 8, 2004

I. Facts

Q-Pharma is the owner of U.S. Patent No. 4,654,373 (the '373 patent), the sole independent claim of which is generally directed to a method of therapeutically treating impaired or damaged tissue in humans and animals. The claimed method comprises administering to such tissue a composition comprising as the principal active ingredient a therapeutically effective amount of Coenzyme Q_{10} mixed with a pharmaceutically acceptable carrier. While two dependent claims of the '373 patent recited methods in which the percentage of Q_{10}, by weight, in the composition was within certain ranges (the ranges aggregately spanning 0.0001% - 10%), the independent claim had no such limitation.

In August 2001, Q-Pharma filed suit against Andrew Jergens Co. in United States District Court for the Western District of Washington, alleging infringement of the '373 patent. Particularly, the suit arose from Jergens' sale of a product named "Curél® Age Defying Therapeutic Moisturizing Lotion with Coenzyme Q_{10}." Jergens marketed this lotion with an extensive advertising campaign, including broadcast advertisements, touting the therapeutic benefits of Q_{10}. Further, packaging for the product also emphasized the benefits of Q_{10}. Jergens counterclaimed for declaratory judgments of noninfringement, invalidity, and unenforceability of the '373 patent. Further, Jergens counterclaimed for damages for antitrust violations.

Prior to filing suit, Q-Pharma's attorneys performed a claim construction analysis and compared the substance of Jergens' advertising to the interpreted claims. However, the claim construction analysis did not include a claim chart and Q-Pharma did not conduct a chemical analysis of the allegedly infringing product. During discovery, Q-Pharma repeatedly requested from Jergens information regarding the contents of the lotion at issue. Jergens refused these requests, but in a motion for summary judgment disclosed that the accused lotion contained no more than 0.00005% Q_{10} by weight. Following this disclosure, Q-Pharma elected to abandon its suit and sought a voluntary dismissal with prejudice.

The court subsequently dismissed with prejudice the infringement claim, as well as the noninfringement, invalidity, and unenforceability counterclaims. As a result, only Jergens' antitrust counterclaim remained pending in the case. Following the dismissal, Jergens motioned for sanctions under Rule 11 of the Federal Rules of Civil Procedure, arguing that Q-Pharma's pre-suit investigation was inadequate. Jergens also motioned for attorney fees under 35 U.S.C. § 285, arguing Q-Pharma should have known that its suit was baseless and that the '373 patent was invalid. The district court denied these motions and granted summary judgment to Q-Pharma on the antitrust claim. Jergens timely appealed.

II. Issues

A. Did the district court abuse its discretion in denying Jergens' motion for sanctions under Rule 11?

B. Did the district court abuse its discretion in denying Jergens' motion for attorney fees under 35 U.S.C. § 285?

C. Was the district court correct in granting summary judgment to Q-Pharma on the antitrust claim?

III. Discussion

A. No. Rule 11(b) only requires that an attorney conduct a reasonable inquiry into the law and facts before filing a pleading in court and to certify that the claims contained in the pleading are not frivolous, unreasonable, without factual foundation, or asserted for an improper purpose. When applied to patent infringement actions, the Federal Circuit has interpreted Rule 11 to require that an attorney interpret the asserted patent claims and compare the accused device with those claims prior to filing an infringement action.

Jergens challenged the reasonableness of Q-Pharma's pre-suit inquiry, largely relying on the failure of Q-Pharma to prepare a claim chart and to conduct a chemical analysis of Jergens' lotion. Jergens further argued that the infringement claim was frivolous because Q-Pharma should have known that the '373 patent was invalid.

The Federal Circuit panel rejected Jergens' contentions and affirmed the district court's denial of the motion for sanctions. The panel held that a claim chart is not a requirement of a pre-filing infringement analysis and, thus, such analysis is not rendered inadequate by failure to construct such a chart. The panel also noted that Q-Pharma had obtained a sample of Jergens' lotion and reviewed Jergens' advertising and labeling of the product, which listed its ingredients and, as mentioned above, repeatedly touted the therapeutic effects of the Q_{10} coenzyme. The court held that, in light of Q-Pharma's claim interpretation and Jergens' assertions regarding the therapeutic effect of Q_{10} in its lotion, it was reasonable for Q-Pharma to believe that the lotion contained a "therapeutically effective amount" of Q_{10} as the "principal active ingredient." Additionally, the court held that several letters received by Q-Pharma from accused infringers questioning the validity of the '373 patent were insufficient to negate Q-Pharma's legal and factual bases for believing the '373 patent to be valid. Such bases included the statutory presumption of validity under 35 U.S.C § 282 and licenses taken by several companies under the patent.

B. No. Section 285 allows a court to award reasonable attorney fees to the prevailing party in "exceptional cases," such as cases involving inequitable conduct, litigation misconduct, or bad faith litigation. Citing the reasons provided above with respect to the Rule 11 motion, the panel concluded that Q-Pharma reasonably believed that the '373 patent was valid and infringed when it filed suit and, consequently, that the infringement claim was neither frivolous nor unjustified. Accordingly, the panel concluded that it was not clearly erroneous for the district court to determine that the case was not exceptional.

C. Yes. A patent owner who brings suit for infringement is exempt from the antitrust laws for that action. However, there are two exceptions to this immunity. First, an accused infringer can show that the allegedly infringed patent was obtained through knowing and willful fraud. Alternatively, a defendant can show that the infringement action is "a mere sham" covering an illegitimate attempt to interfere with the business relationships of a competitor. The Supreme

Court has provided a two-part definition of "sham" litigation. To be considered "sham" litigation, a suit must be objectively baseless and also be brought for the purpose of concealing an illegitimate attempt to interfere with a competitor's business relationships.

On appeal, Jergens' argued that Q-Pharma's infringement claim fell under the second of these exceptions, that the suit was "objectively baseless" for the same reasons argued with respect to the motions discussed above. However, because Q-Pharma had a reasonable expectation of success on the merits at the time the suit was filed, the panel held that the infringement action was not "objectively baseless." Accordingly, the panel held that the district court was correct in dismissing Jergens' antitrust claim against Q-Pharma.

IV. Conclusion

In an infringement action, conducting an infringement analysis is the key factor in determining whether a patentee performed a reasonable pre-filing inquiry. Further, such an infringement analysis merely requires a good faith, informed comparison of the claims of a patent against the accused subject matter.