

**Keywords:**     **infringement; invalidity; enablement; best mode; inequitable conduct; declaratory judgment; counterclaims**

**General:**       **Declaratory judgment counterclaims allow adjudication of invalidity and unenforceability counterclaims after noninfringement decision**

*Old Town Canoe Co. v. Confluence Holdings Corp.*

78 U.S.P.Q.2d 1705 (Fed. Cir. 2006)

Decided May 9, 2006

**I.     Facts**

Old Town Canoe sued Confluence Holdings, asserting infringement of U.S. Patent No. 4,836,936 (the '936 patent). The '936 patent relates to an improved rotational molding method for manufacturing layered polyethylene for use in canoes. Confluence filed declaratory judgment counterclaims for invalidity based on obviousness, lack of enablement, or failure to disclose best mode, and for unenforceability based on inequitable conduct. After five days of trial, both parties filed cross-motions for JMOL, with Old Town Canoe moving that the patent was not invalid and not unenforceable, and Confluence moving for noninfringement. The district court granted Confluence's motion and eventually granted Old Town Canoe's motions.

Old Town appealed the district court's grant of JMOL of noninfringement, and Confluence cross-appealed the grant of Old Town's motions for JMOL that the '936 patent was not invalid and not unenforceable.

**II.    Issues**

- A.     Was the district court's claim construction and grant of JMOL of noninfringement correct?
- B.     Was the district court's grant of JMOL finding the patent not invalid correct?
- C.     Was the district court's grant of JMOL finding the patent not unenforceable correct?

**III.   Discussion**

- A.     Yes. The Federal Circuit upheld the district court's claim construction and grant of JMOL of noninfringement.

The Federal Circuit reviews a grant of JMOL *de novo*, applying the district court's JMOL standard. In the Ninth Circuit, the court considers a motion for JMOL by drawing all reasonable inferences from the evidence most favorable to the non-movant. A motion for JMOL is granted only if no reasonable juror could find in the non-movant's favor.

The district court's finding of noninfringement turned on the construction of the claim element "after coalescence of the third charge is completed." The parties agreed that coalescence is a 7-stage process, but disputed the nature of the process and the point at which coalescence was completed. The district court found that "coalescence" is "completed" at optimum stage 5 of the 7-stage process, and that Confluence's canoes did not reach optimum stage 5 regardless of the presence of bubbles in Confluence's canoes. The Federal Circuit agreed with the district court's claim construction, and agreed that no reasonable juror could find that the particulate used in Confluence's canoes reached optimum coalescence, as recited by the

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asserted claims. In the alternative, Old Town, relying on a dictionary definition, argued that “coalescence can be completed by bringing the process to a halt,” and does not necessarily mean that coalescence reach its optimal state. The Federal Circuit disagreed, and based on the *Phillips* case and analysis of the intrinsic record found that “nothing in the intrinsic record explicitly or implicitly indicated that one of ordinary skilled the art would consider coalescence to be complete before the particulates...reached optimum stage 5.”

B. No. The Federal Circuit vacated the district court’s grant of JMOL that the patent was not invalid for obviousness, lack of enablement, or failure to disclose best mode and remanded to the district court for further proceedings consistent with the opinion.

1. Obviousness – Confluence argued that a combination of prior art references (the “‘595 patent” and the “Ramazzotti articles”) teach every element and therefore render the asserted claims obvious. Confluence argued that persons having ordinary skill in the art would have been motivated to combine the teachings in the Ramazzotti articles pertaining to single-layer techniques to the multi-layer techniques of the ‘595 patent. The Federal Circuit found that Confluence introduced clear and convincing evidence that, in combination, the prior art references disclose every element of the asserted claims. Further, the court ruled that “[t]he parties’ arguments highlight a number of disputed fact questions, including credibility determinations, to be resolved by the jury. When viewed in a light most favorable to Confluence, a reasonable juror could find support for Confluence’s argument that the ‘963 patent would have been an obvious improvement over the prior art.”

2. Enablement – Confluence argued that the ‘963 patent failed to set forth time and temperature parameters for the molding process, and that its expert was unable to carry out the entire process of the ‘963 patent. Old Town Canoe admitted there needs to be some experimentation to determine the time and oven temperature but cited the Raamzzotti articles for support that there a number of time and temperature combinations that give results. The Federal Circuit found that “Confluence introduced clear and convincing evidence that, in attempting to practice the invention disclosed in the ‘963 patent, persons of ordinary skill in the art would have to develop time and temperature parameters through repeated experimental attempts to practice the invention...[b]ecause Confluence produced evidence sufficient for a reasonable juror to conclude that the trial and error required to practice the claimed invention could be unduly laborious, we vacate the district court’s grant of JMOL on the issue of enablement.”

3. Best Mode – Confluence argued that, at the time of filing, that (1) optimal timing periods for coalescence and cooling, and (2) a way to construct the cooling doors of the oven were known and preferred by the inventor. Confluence relied on a document produced by Old Town entitled “Rotational Molding of Canoes by Old Town” that “described precise timing parameters for the molding process.” Confluence also produced evidence that the inventor had the document before the filing of the patent application and gave the document to his patent attorney. The Federal Circuit found that “[a] reasonable juror could find that the specification’s failure to disclose that which was detailed in the document produced by Old Town was a failure to disclose the best mode. We therefore vacate the district court’s grant of JMOL on the ground of no best mode violation.”

C. Yes. The Federal Circuit affirmed the district court’s grant of JMOL that the ‘963 patent was not unenforceable for inequitable conduct. Confluence argued that Old Town made, used, and sold 500 canoes made under the patented process more than one year prior to filing the ‘963 patent, or alternatively, that they failed to disclose best mode. Confluence also argued that previous case law precluded the judge from conducting a bench trial on issues of unenforceability if the trial would resolve issues common to invalidity that are subject to jury resolution. First, the Federal Circuit reiterated that inequitable conduct and invalidity are “distinct and without commonality either as claims or in a relation to the underlying fact.” Second, the Federal Circuit found that even if the evidence presented by Confluence was material, there was no showing of intent and therefore no inequitable conduct.

Mayer's dissent: Judge Mayer agreed with the affirmance of noninfringement but argued that with regard to the issues of invalidity, the court should vacate the judgment and remand with *directions to dismiss*. Judge Mayer argued that once the court affirmed the district court's finding of noninfringement, Confluence no longer has any reasonable apprehension of suit and there ceased to be an actual controversy supporting jurisdiction over the invalidity and unenforceability counterclaims. Judge Mayer cited *Cardinal Chemical Co. v. Morton International, Inc.* in support of this argument; however, *Cardinal Chemical* was also cited by the majority (in footnote 3) to support the opposite position.