

SOURCE VAGABOND SYSTEMS LTD. v. HYDRAPAK, INC., Appeals Nos. 2013-1270, -1387 (Fed. Cir. June 5, 2014). Before Moore, Reyna, and Wallach. Appealed from S.D.N.Y. (Judge McMahon)

Background:

Source sued Hydrapak for, *inter alia*, infringing claim 1 of its patent, either literally, or under the doctrine of equivalents. In its complaint, Source proffered an interpretation of its claim that Hydrapak alleged lacked support in the specification. Thus, Hydrapak moved for summary judgment of non-infringement and sanctions under Rule 11 for filing a frivolous patent infringement suit.

The relevant language of claim 1 of Source's patent states "...the slot being narrower than the diameter of the rod, so that the sealer is only to be slidingly mounted sideways over the rod..." Source argued that the claim should be construed to mean "the slot is narrower than the diameter of the rod together with the container folded over it."

The district court held that there was "nothing complicated or technical" about the claim terms at issue, and that no claim term required "definition or interpretation beyond its plain and ordinary meaning." The district court found that Source's asserted claim interpretation "violates all the relevant canons of claim construction," and that even under Source's own claim construction, Hydrapak did not infringe claim 1 of Source's patent. The district court found that Source failed to meet its own obligation to demonstrate "exactly why it believed *before filing the claim* that it had a reasonable chance of proving infringement." Thus, the district court granted Hydrapak's motions for summary judgment and Rule 11 sanctions. Source appealed.

Issue/Holding:

Did the district court abuse its discretion in imposing Rule 11 sanctions? No, affirmed.

Discussion:

In determining whether Rule 11 sanctions are warranted, the Federal Circuit applies the law of the regional circuit. In the Second Circuit, "liability for Rule 11 violations 'requires only a showing of objective unreasonableness on the part of the attorney or client signing the papers.'" Sanctions are appropriate where an attorney fails to "conduct a reasonable inquiry into the viability of a pleading before it [was] signed." Sanctions may be imposed for counsel's failure to make a reasonable inquiry into either the facts or the law.

The Federal Circuit recognized that it is unjust to the public to construe a claim in a manner different from the plain import of its terms. The claims must be read in view of the specification, of which the claims are a part. The Federal Circuit agreed that Source added words to the actual claim language without any support from the specification or prosecution history.

The Federal Circuit held that as part of a reasonable pre-suit evaluation Source was required to "perform an objective evaluation of the claim term." Because it did not, the Federal Circuit held that Source failed to meet the Second Circuit's Rule 11 sanctions standard, and affirmed the district court's Rule 11 sanctions.

Figure 2

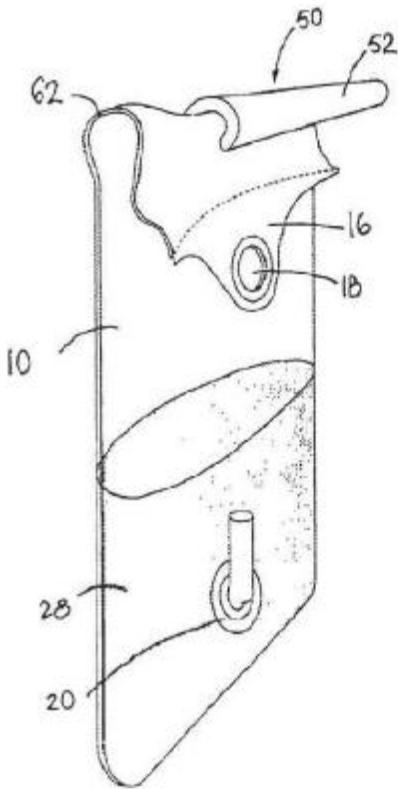
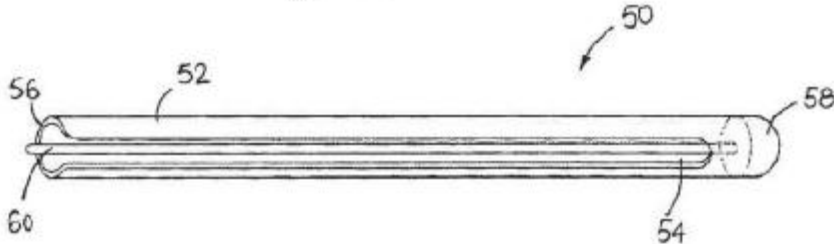


Figure 3A

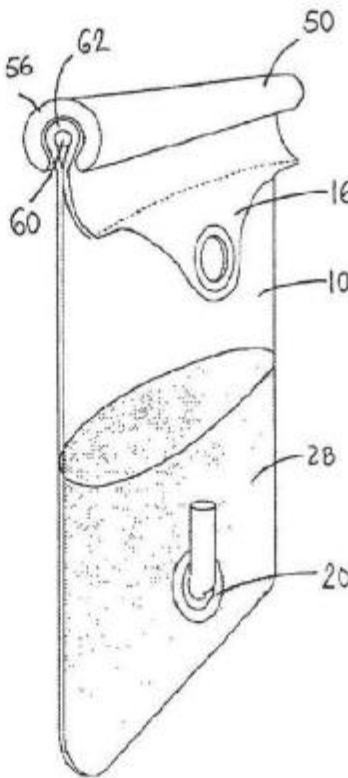


Figure 3B