

U.S. WATER SERVICES, INC. v. NOVOZYMES A/S, Appeal Nos. 2015-1950, 1967 (Fed. Cir. December 15, 2016). Before Wallach, Hughes, and Stoll. Appealed from W.D. Wis. (Judge Peterson).

Background:

U.S. Water Services ("U.S. Water") holds two patents directed to a method of producing alcohol from milled grain. In these methods, the enzyme phytase is added in order to breakdown phytic acid, which is a byproduct of alcohol production, thereby preventing the damage phytic acid causes to the processing equipment. U.S. Water sued Novozymes alleging indirect infringement. Novozymes counterclaimed for a declaratory judgment of noninfringement, invalidity, and inequitable conduct.

Novozymes relied on two prior art references in asserting invalidity. In granting Novozymes' motion for summary judgment of invalidity, the district court determined that, although these two references did not explicitly disclose using phytase to reduce the formation of insoluble deposits on processing equipment, this was nonetheless inherently taught by the references. In denying Novozymes' motion for summary judgment of inequitable conduct, the district court found no evidence that U.S. Water's non-disclosure of certain statements made in an unrelated litigation materially affected the examiner's decision to issue U.S. Water's patent. U.S. Water appealed the invalidity finding, and Novozymes cross-appealed the finding of no inequitable conduct.

Issues/Holdings:

Did the district court err in granting summary judgment of invalidity based on inherent anticipation? Yes. Did the district court err in denying summary judgment of inequitable conduct? No. Vacated-in-part, affirmed-in-part, and remanded.

Discussion:

With respect to invalidity, the Federal Circuit noted that the district court acknowledged the existence of a genuine dispute as to a material fact, as U.S. Water's expert testimony indicated that practicing the prior art's methods would not always result in reducing the formation of insoluble deposits. The district court's granting of summary judgment in the face of this dispute of material fact was error.

With respect to inequitable conduct, the Federal Circuit agreed with the district court that no genuine dispute as to a material fact existed. Novozymes argued that U.S. Water had failed to notify the examiner of its contradictory statements during litigation, and that this nondisclosure materially affected the examiner's prosecution of U.S. Water's application. The Federal Circuit disagreed, noting that both a declaration by U.S. Water and a third-party submission had identified to the examiner the distinctions between the claims of U.S. Water's different applications. There was no evidence on the record that U.S. Water's patent would not have issued if the examiner had been made aware of U.S. Water's statements during the unrelated litigation.