

UNITED STATES DISTRICT COURT
DISTRICT OF CONNECTICUT

Applera Corporation and :
Roche Molecular Systems, Inc., :
 plaintiffs, :
 :
v. : 3:98cv1201 (JBA)
 :
MJ Research Inc. and Michael :
and John Finney, defendants. :

**Ruling on Plaintiffs' Motion in Limine to Exclude Evidence or
Argument by Defendants of an Alleged "Disclaimer" or License
Notice Agreement or Representation which the Court has
Already Adjudicated Not to Exist [Doc. #762-3]**

Plaintiffs seek an order pursuant to Fed. R. Evid. 402 and 403 precluding defendants and any of defendants' witnesses from making any mention or offering any evidence of a purported agreement with or alleged representations by plaintiffs that MJ's use of a disclaimer in its advertising and marketing would absolve it of liability for inducing infringement of the PCR process patents-in-suit. Plaintiffs assert that the Court (Squatrito, J., presiding), in granting plaintiffs' motion for summary judgment on defendants' estoppel defense, already concluded that no such agreement existed and no such representations were made.

Defendants concede that, in light of Judge Squatrito's ruling, they do not intend to offer any evidence or argue that a license notice or disclaimer agreement ever existed between the parties. However, they argue that Judge Squatrito's ruling does

not preclude them from offering evidence regarding the plaintiffs' communications and course of dealing with MJ and amongst themselves regarding MJ's use of a license notice in its marketing and product materials, MJ's reliance upon the same, and the failure of plaintiffs to object to MJ's license notice over a several year period, to the extent that such evidence and argument are offered in support of their counterclaims and to rebut plaintiffs' claim of inducing infringement by showing that defendants did not know their actions would induce actual infringements. As made plain by their pleadings and briefs, defendants intend to argue that they were misled by plaintiffs into believing that plaintiffs would not sue them for inducing infringement as long as defendants included a disclaimer in their thermal cycler marketing and advertising materials.

The relevant part of Judge Squatrito's ruling provides as follows:

B. Equitable Estoppel

In order to prevail on a defense of equitable estoppel, the defendants must prove the following: (1) that the plaintiffs, through action or inaction, misleadingly communicated that they did not intent to press an infringement claim against MJ; (2) that the defendants detrimentally relied on the misleading action; and (3) that the defendants would be materially prejudiced if the plaintiffs were permitted to proceed. See A.C. Aukerman Co. v. R.L. Chaides Constr. Co., 960 F.2d 1020, 1042-43 (Fed. Cir. 1992).

The court finds that the plaintiffs are entitled to summary judgment on the defendants' equitable estoppel claim. The record is replete with evidence unequivocally

indicating that the plaintiffs did not intend to abandon any infringement claims against the defendant. To the contrary, the plaintiffs consistently demanded that MJ cease and desist its allegedly infringing activity. Notwithstanding any agreement the parties may have negotiated with regard to a disclaimer, MJ clearly was placed on notice that the plaintiffs were not thereby waiving any rights with respect to the patents, as those rights may have existed either at that time or in the future. For instance, Dr. Daniell's July 15, 1991 letter to Mr. Hansen specifically stated that Roche's 'consent is specific to the advertisement for the first issue of PCR methods. It does not indicate [] that such language is acceptable for future advertisements.' (See Daniell Ltr., Exh. O, Lieb Decl. Supp. Pls.' Opp. Defs.' Mot. S.J.).

In addition, MJ repeatedly characterized the plaintiffs' demands to cease and desist as anticompetitive threats. (See, e.g., Hansen Ltr., Exh. O, Lieb Decl. Supp. Pls.' Opp. Defs.' Mot. S.J. (arguing that PE's activity was 'an endeavor to restrain free trade'); Advisory Brief Submitted by Defs. to United States Federal Trade Commission, Aug. 29, 1991, Exh. D., Lieb Decl. Supp. Pls.' Opp. Defs.' Mot. S.J. ('It is our fear that one of the parties in the proposed transactions, namely, the Perkin-Elmer Corporation - may be attempting to expand the enforcement of these PCR patents onto the thermal cycler industry.")). In light of these allegations, it is not now possible for the defendants to argue that they relied on misleading action by the plaintiffs and that they would be materially prejudiced if the plaintiffs were permitted to proceed with their claims.

Ruling [Doc. #624] at 15-16.

Thus, Judge Squatrito held as matters of undisputed fact that, whether or not any agreement about a disclaimer in defendants' marketing materials existed, plaintiffs did not mislead MJ into thinking that plaintiffs would not sue MJ for inducing infringement under 35 U.S.C. § 271(b), and that MJ did not rely on any action by plaintiffs in this regard but rather understood that plaintiffs might sue. These holdings preclude

defendants from offering evidence in support of several paragraphs of their Fifth Amended Answer, Affirmative Defenses and Counterclaims [Doc. #890], including:

- 142.(e) Counterclaim Defendants misrepresented that MJ Research would be permitted to market its thermal cyclers for PCR so long as a negotiated disclaimer was used informing end-users of Counterclaim Defendants' licensing requirements and intentionally breached agreements reached with MJ Research as a result of those representations;
183. Cetus and Roche, acting with the knowledge and consent of PEGI and Applera, fraudulently induced MJ Research to refrain from taking legal action against Cetus, PEGI, Applera and Roche and to advertise, at its expense, Counterclaim Defendants' licensing requirements by falsely representing to MJ Research, orally and in writing, that MJ Research and its principals would not be sued for infringement of the PCR Process Patents so long as an appropriate disclaimer was used in its advertising and marketing materials. Counterclaim Defendants knew that these representations were false at the time they were made. All management decisions made by John Finney and Michael Finney were based on and were taken in reasonable reliance on these fraudulent misrepresentations.
189. In reasonable reliance upon these representations, MJ negotiated agreements with both Cetus and Roche to resolve infringement claims asserted by Cetus in 1991 and Applera in 1992 and to avoid litigation of MJ Research's restraint of trade claims with respect to Cetus/PEGI and Applera's attempts to use the PCR Process Patents to influence trade in the unpatented thermal cycler instrument market. In addition, as a result of these agreements and representations, MJ was induced to continue its marketing efforts using the negotiated disclaimer.
193. Notwithstanding their actual knowledge that Cetus and Roche, acting with actual authority to deal and on behalf of PEGI and Applera, had expressly

authorized MJ Research, orally and in writing on several occasions, to market its products for PCR so long as an appropriate disclaimer was used, Applera and Roche have invoked the jurisdiction of this Court and have asserted claims for patent infringement on exactly the same conduct they had expressly authorized.

201.(a,c) Applera and the joint venture, PEGI, through their agents, Roche and Cetus, respectively, expressly agreed to MJ Research's marketing of thermal cyclers for PCR with a negotiated disclaimer. They did so after threatening litigation and in response to MJ Research's threat of restraint of trade litigation. They entered into these agreements for the purpose of inducing MJ Research's reliance upon them in order to avoid judicial consideration of the lawfulness of their PCR Process Patent enforcement efforts at a time when there were no patents on any of their PCR instrumentation and to ensure that MJ Research would expend funds advertising Counterclaim Defendants' licensing requirements;

...MJ Research reasonably relied upon these agreements....

In addition, Judge Squatrito's holdings preclude offering evidence or argument regarding plaintiffs' course of dealing, including communications, with MJ and amongst themselves regarding the development and use of the license notice, defendants' reliance thereon, and the failure of plaintiffs to object to MJ's license notice over a several year period, for the purposes of rebutting plaintiffs' claim of inducing infringement. According to Judge Squatrito's holdings, the course of dealing explicitly suggested to MJ that plaintiffs might sue and that MJ understood this. Therefore, defendants cannot contend at trial that they did not know or should not have known that their

actions would induce actual infringement as a result of the fact that, in essence, plaintiffs had told them they would not. Defendants may attempt to rebut plaintiffs' evidence on intent under 35 U.S.C. § 271(b) by offering evidence of use of the disclaimer, see Ruling [Doc. #945], but not by explaining that plaintiffs' communications, course of dealing, or other actions made the use necessary to avoid a lawsuit for infringement.

Accordingly, as set forth above, plaintiffs' motion [Doc. #762-3] is GRANTED.

IT IS SO ORDERED.

/s/

Janet Bond Arterton, U.S.D.J.

Dated at New Haven, Connecticut, this 27th day of February 2004.