

EXHIBIT 1029:

LIFESCAN SCOTLAND LTD. V. SHASTA TECHNOLOGIES LLC , 734 F.3D 1361 (FED. CIR. 2013) (“*LIFESCAN DECISION*”)

Pharmatech Solutions, Inc.: EXHIBIT 1029
INTER PARTES REVIEW -- IPR2013-00247

734 F.3d 1361, 108 U.S.P.Q.2d 1757
 (Cite as: 734 F.3d 1361)

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United States Court of Appeals,
 Federal Circuit.
 LIFESCAN SCOTLAND, LTD. and LifeScan, Inc.,
 Plaintiffs–Appellees,
 v.
 SHASTA TECHNOLOGIES, LLC and Conductive
 Technologies, Inc., Defendants–Appellants,
 and
 Instacare Corp. and Pharmatech Solutions, Inc., De-
 fendants–Appellants.

No. 2013–1271.
 Nov. 4, 2013.

Background: Patentees brought action against competitors, alleging infringement of their patents related to glucose monitoring systems. Patentees moved for a preliminary injunction, and competitors moved to dismiss. The United States District Court for the Northern District of California, [Edward J. Davila, J.](#), [933 F.Supp.2d 1243](#), granted patentees' motion for preliminary injunction and denied competitors' motion. Competitors appealed.

Holdings: The Court of Appeals, [Dyk](#), Circuit Judge, held that:

(1) distribution of meters exhausted patent rights, and
 (2) as an issue of first impression, absence of consideration for meters was not barrier to application of patent exhaustion.

Reversed and remanded.

[Reyna](#), Circuit Judge, filed a dissenting opinion.

West Headnotes

[1] Federal Courts 170B 776

170B Federal Courts
 170BVIII Courts of Appeals
 170BVIII(K) Scope, Standards, and Extent
 170BVIII(K)1 In General
 170Bk776 k. Trial de novo. [Most Cited](#)

Cases

To the extent that a district court's decision to grant a preliminary injunction hinges on questions of law, review is de novo.

[2] Injunction 212 1075

212 Injunction
 212II Preliminary, Temporary, and Interlocutory Injunctions in General
 212II(A) Nature, Form, and Scope of Remedy
 212k1075 k. Extraordinary or unusual nature of remedy. [Most Cited Cases](#)

A preliminary injunction is an extraordinary remedy that may only be awarded upon a clear showing that the plaintiff is entitled to such relief.

[3] Injunction 212 1092

212 Injunction
 212II Preliminary, Temporary, and Interlocutory Injunctions in General
 212II(B) Factors Considered in General
 212k1092 k. Grounds in general; multiple factors. [Most Cited Cases](#)

A plaintiff seeking a preliminary injunction must establish that he is likely to succeed on the merits, that he is likely to suffer irreparable harm in the absence of preliminary relief, that the balance of equities tips in

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his favor, and that an injunction is in the public interest.

[4] Patents 291 🔑295

291 Patents

291XII Infringement

291XII(B) Actions

291k293 Preliminary Injunction

291k295 k. Establishment of validity of patent in general. [Most Cited Cases](#)

Patents 291 🔑298

291 Patents

291XII Infringement

291XII(B) Actions

291k293 Preliminary Injunction

291k298 k. Establishment of infringement. [Most Cited Cases](#)

If the accused infringer raises a substantial question concerning either infringement or validity, then the patentee has not established that it is likely to succeed on the merits, and a preliminary injunction is not appropriate.

[5] Patents 291 🔑191

291 Patents

291X Title, Conveyances, and Contracts

291X(A) Rights of Patentees in General

291k191 k. Rights and powers of patentees as to making, use, or sale of invention. [Most Cited Cases](#)

Patentee's meters for glucose monitoring substantially embodied methods in patent claiming method of comparing measurements taken by two separate working electrodes, such that distribution of meters exhausted patentee's patent rights under doc-

trine of patent exhaustion; although patentee argued that meters were components with reasonable noninfringing use, patentee distributed meters in expectation and with intent that customers would use its meters with its test strips, and claimed inventive concept of method claims of patent was in meter, rather than the strips, because meters controlled and carried out inventive functions of method claims in comparing readings of two working electrodes.

[6] Patents 291 🔑191

291 Patents

291X Title, Conveyances, and Contracts

291X(A) Rights of Patentees in General

291k191 k. Rights and powers of patentees as to making, use, or sale of invention. [Most Cited Cases](#)

Alternative uses are relevant to the exhaustion inquiry only if they are both reasonable and intended by the patentee or its authorized licensee.

[7] Patents 291 🔑191

291 Patents

291X Title, Conveyances, and Contracts

291X(A) Rights of Patentees in General

291k191 k. Rights and powers of patentees as to making, use, or sale of invention. [Most Cited Cases](#)

Absence of consideration for glucose monitoring meters distributed for free to physicians to give to patients was not barrier to application of patent exhaustion in patentee's infringement action against manufacturer of glucose test strips.

[8] Patents 291 🔑191

291 Patents

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291X Title, Conveyances, and Contracts

291X(A) Rights of Patentees in General

291k191 k. Rights and powers of patentees as to making, use, or sale of invention. [Most Cited Cases](#)

A patentee may demand a particular price in exchange for an article and the invention which it embodies; alternately, a patentee may choose to give that article away for free in the hope of obtaining a future benefit.

[9] Patents 291 191

291 Patents

291X Title, Conveyances, and Contracts

291X(A) Rights of Patentees in General

291k191 k. Rights and powers of patentees as to making, use, or sale of invention. [Most Cited Cases](#)

A patentee cannot evade patent exhaustion principles by choosing to give the article away rather than charging a particular price for it.

[10] Patents 291 191

291 Patents

291X Title, Conveyances, and Contracts

291X(A) Rights of Patentees in General

291k191 k. Rights and powers of patentees as to making, use, or sale of invention. [Most Cited Cases](#)

Where a patentee unconditionally parts with ownership of an article, it cannot later complain that the approach that it chose results in an inadequate reward and that therefore ordinary principles of patent exhaustion should not apply.

[11] Patents 291 191

291 Patents

291X Title, Conveyances, and Contracts

291X(A) Rights of Patentees in General

291k191 k. Rights and powers of patentees as to making, use, or sale of invention. [Most Cited Cases](#)

For patent exhaustion purposes, the amount of compensation received by the patentee may in some instances be relevant to the question of whether a particular transaction is indeed an unconditional transfer of ownership as opposed to a conditional sale or license.

[12] Patents 291 191

291 Patents

291X Title, Conveyances, and Contracts

291X(A) Rights of Patentees in General

291k191 k. Rights and powers of patentees as to making, use, or sale of invention. [Most Cited Cases](#)

For patent exhaustion purposes, unless the purchaser of a patented product has made an express contractual undertaking, the transfer is an unconditional sale, not a conditional sale or license.

[13] Patents 291 191

291 Patents

291X Title, Conveyances, and Contracts

291X(A) Rights of Patentees in General


291k191 k. Rights and powers of patentees as to making, use, or sale of invention. [Most Cited Cases](#)

Absent a valid contractual restriction, restraints upon the downstream use or sale of a patented product offend against the ordinary and usual freedom of traffic in chattels, and that is so regardless of the

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amount of consideration demanded by the patentee when it originally parted with the product.

Patents 291  **328(2)**

291 Patents

291XIII Decisions on the Validity, Construction, and Infringement of Particular Patents

291k328 Patents Enumerated

291k328(2) k. Original utility. **Most Cited Cases**

5,120,420, 6,258,229, 7,250,105. Cited.

***1363** [Gregory L. Diskant](#), Patterson Belknap Webb & Tyler LLP, of New York, NY, argued for plaintiffs-appellees. With him on the brief were [Eugene M. Gelernter](#) and [Kathleen M. Crotty](#). Of counsel on the brief were [Charles Hoffmann](#) and [Sean Marshall](#), Hoffmann Marshall Strong LLP, of New York, NY.

[John J. Shaeffer](#), Lathrop & Gage LLP, of Los Angeles, CA, argued for defendants-appellants. With him on the brief were [Robert P. Andris](#) and [Lael D. Andara](#), Roper, Majeski, Kohn & Bentley, of Redwood City, CA; and [William A. Rudy](#), Lathrop & Gage LLP, of Kansas City, MO. Of counsel was [Carole E. Handler](#), Lathrop Gage LLP, of Los Angeles, CA.

Before [DYK](#), [PROST](#), and [REYNA](#), Circuit Judges.

[DYK](#), Circuit Judge.

Defendants Shasta Technologies, LLC; Conductive Technologies, Inc.; Instacare Corp.; and Pharmatech Solutions, Inc. (collectively, “Shasta”) appeal from a decision of the United States District Court for the Northern District of California granting a preliminary injunction in favor of Plaintiffs LifeScan Scotland, Ltd. and LifeScan, Inc. (“LifeScan”). The injunction prohibited Shasta from making, using, or selling its blood glucose test strips. The district court found that the making, using, or selling of Shasta's

strips likely indirectly infringes LifeScan's [U.S. Patent No. 7,250,105](#) (“the '105 patent”). Because we agree that Shasta has established that it has a patent exhaustion defense, we reverse.

BACKGROUND

I

This case concerns blood glucose monitoring systems, which are used by individuals with [diabetes](#) to assist them in maintaining healthy blood glucose levels. Such systems typically consist of an electrochemical meter and disposable test strips. To use the system, the user first inserts a test strip into the meter, then uses a lancet to draw a small drop of blood and places the drop on the test strip. The strip contains one or more electrodes, which may be “working electrodes” or “reference electrodes,” and which connect to the meter during operation. Each working electrode is coated with an enzyme, such as glucose oxidase, and a mediator, such as ferricyanide. The enzyme reacts with glucose in the blood sample, releasing electrons. The ***1364** mediator then transfers those electrons to the working electrode. The working electrode is connected to the meter, which measures the resulting electric current. Because this current correlates with the concentration of glucose in the sample, the meter is thus able to measure the user's blood glucose level. The reaction occurring at the working electrode does not occur at the reference electrode because the reference electrode is not coated with glucose oxidase. Thus, by comparing the current at the reference electrode to the current at the working electrode, the meter can verify that the current produced at the working electrode is solely due to the reaction of the enzyme and mediator with blood glucose in the sample.

Blood glucose meters and disposable test strips of this general design first became available in the 1980s. The '105 patent claims to improve upon earlier systems. It claims a method of comparing the measurements taken by two separate working electrodes. If the readings of the two working electrodes differ signifi-

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