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## Federal judge sides with Emory, upholds patent

*Financial stakes potentially were high in dispute over product Emory says was invented by its scientists, licensed to outside firm*

By R. Robin McDonald, Staff Reporter

Emory University has won a patent fight with a defunct metro Atlanta biomedical firm and a former corporate officer who is now serving a federal prison sentence for securities fraud.

In an order handed down July 24, U.S. District Judge Thomas W. Thrash Jr. granted Emory's motion for summary judgment in the case. In doing so, Thrash upheld patents that Emory has secured over the past decade for an anti-microbial agent impervious to water that can shield hard surfaces from contamination by weapons-grade biological viruses and bacteria.

Thrash also upheld a court order issued earlier this year barring defendant Timothy C. Moses and the firm, Nova Biogenetics Inc.—of which Moses was formerly executive vice president and director of business development—from infringing the patents. Nova was dissolved in May. A federal jury convicted Moses in October 2005 of securities fraud and perjury. He is now serving a 78-month prison sentence and has been ordered to pay \$1.65 million in restitution.

Even though Nova is no longer infringing the biomedical

patents that are the subject of the litigation and Moses is in prison, Thrash noted that a permanent injunction will protect Emory from any future infringement “where the infringing company has such a questionable reputation.”

Thrash's order also dispatched Nova's counterclaim that Emory's patents were invalid and unenforceable.

Moses' conviction for violating federal securities laws was unrelated to the patent fight.

Nova BioGenetics Inc. in Sandy Springs was the successor to Moses' company, BioShield Technologies Inc. After filing for bankruptcy protection in 2004, BioShield transferred its licenses and assets to Nova BioGenetics.

Emory and Microbe Guard Inc., a Minnesota company that had licensed the patents from Emory, sued Moses and Nova in 2006, claiming that Nova had, with Moses' participation, infringed Emory's patents.

According to Emory's complaint, Microbe Guard had contacted Nova in May 2005 and informed its executives—including Moses—that Nova was infringing on the Emory patents and demanded that it stop. According to the complaint, Nova refused.

In court pleadings filed by Moses' attorney before he withdrew from the case, Moses had argued that Emory's patents were invalid and unenforceable, in large part because Moses had originally approached Emory researchers with the idea that the university subsequently patented. BioGenetics has had no counsel of record since defense attorney Sanford J. Asman withdrew from the case in January 2007.

Emory acknowledged in its complaint that Moses first contacted the university in 1995 with an idea to produce a water-resistant version of an antimicrobial product then being manufactured by Dow Corning Corp. The Dow Corning product lost effectiveness when water was applied.

Moses signed a research agreement with Emory to find a way to make the Dow Corning product insoluble, which would make it a far more effective and marketable germ fighter. Within a year, an Emory scientist and graduate student had solved the problem, in the process inventing a way to treat surfaces with the anti-microbial agent so that they would be permanently germ-resistant. Emory filed for the patents, listing its scientists as the sole inventors.

For Emory and its Microbe Guard, its licensee, the financial stakes were potentially high.

Emory's lead counsel in the litigation, Atlanta patent lawyer Lawrence K. Nodine—a partner at what is now known as the Needle & Rosenberg Intellectual Property Practice of Ballard, Spahr, Andrews & Ingersoll—declined to say how much the patents that were the subject of the current litigation or the Microbe Guard licensing agreements were worth.

Emory and Microbe Guard, according to Thrash's order, were direct competitors with Nova BioGenetics and its predecessor firm, BioShield, in the antimicrobial products marketplace.

Thrash observed in his order that, when a company that has infringed another firm's patent “is no longer selling the offending product, the harm to a patent-holder may seem esoteric.” But, the judge wrote, “[T]he negative effects of the plaintiffs' [Emory and Microbe Guard] potential loss in goodwill, market share, and prestige are real.”

A permanent injunction might have no “discernible present effect” on the now defunct Nova BioGenetics company. But, Thrash wrote, “on the other hand, denying the injunction could expose the plaintiffs to the danger that the defendant might infringe upon the patent again. An injunction gives the plaintiffs certainty that the defendant will no longer infringe upon its patents.”

On Thursday, Nodine confirmed that the case is concluded and both Nova and Moses are now subject to permanent injunctions barring them from infringing on the Emory patents. Nodine said that one reason Thrash's opinion is significant is that it offers “a very clear statement of an obligation to respond in a timely fashion under the local rules.”

The Northern District of Georgia, the Eastern District of Texas, the Northern District of California and the Eastern District of Virginia all have local rules governing patent litigation, Nodine said. “This order specifically relies on Nova's failure to respond under the local rules as creating admissions that justify summary judgment,” Nodine said. “From our perspective, the judge's approach is interesting. He chose to rely on the local rules ... [with] a very clear holding that if you fail to comply with the local rules, it will result in defaults that can trigger summary judgment.”

In his order, Thrash noted that Nova BioGenetics “has not responded to the infringement contentions in 19 months—nor even responded to these motions for summary judgment ... . Likewise, the Court finds that the defendant's complete disregard for the patent local rules, at this late stage, will preclude it from introducing any evidence to challenge the patent's validity.”

The case is Emory University v. Nova BioGenetics Inc., No. 1:06-cv-0141 (N.D. Ga.)



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