



phrase “reducing NF- $\kappa$ B activity” cannot now be construed to mean that the reduced activity “differs from its naturally occurring activity under the same conditions.” Thus, the claims cannot now be reinterpreted to exclude naturally occurring reductions in NF- $\kappa$ B activity such as those that occur during operation of the autoregulatory loop.

## **II. Argument**

### **A. Ariad Argued That “Reducing NF- $\kappa$ B Activity” Does NOT Mean That the Activity “Differs From Its Naturally Occurring Activity Under the Same Conditions”**

When the Court construed the meaning of the claims during the Markman phase of this case, one of the terms in dispute was “reducing NF- $\kappa$ B activity.” Ariad’s proposed construction was

Diminishing the function of NF- $\kappa$ B to act as an intracellular messenger that turns on transcription of particular genes, in response to certain stimuli

while Lilly proposed that the phrase means

Reducing the ability of NF- $\kappa$ B to function as a regulator of gene expression in such a manner that it differs from naturally occurring activity under the same conditions.

(Plaintiffs’ Opposition Brief on Claim Construction (D.I. 69 at 4.) The positions of the parties are concisely summarized in the PowerPoint presentation that Ariad prepared for the Markman hearing, an excerpt of which is attached as Exhibit 1. See particularly slide 10, which states, “The ordinary meaning of ‘reducing’ is not ‘differs from naturally-occurring activity under the same conditions.’” *See also* Plaintiff’s Opposition Brief on Claim Construction (D.I. 69 at 4-5.)

### **B. Ariad Prevailed on the Disputed Claim Construction**

The Court accepted Ariad’s proposed construction of the disputed term, holding that “reducing NF- $\kappa$ B activity” means

Decreasing the function of NF- $\kappa$ B to act as an intracellular messenger that regulates transcription of particular genes, in response to certain stimuli.

Memorandum of Decision and Order of March 3, 2004 (D.I. 75) at 2; *compare, e.g.*, Plaintiff's Opening Brief on Claim Construction (D.I. 54 at 16 ("Thus, properly interpreted, the phrase 'reducing NF- $\kappa$ B activity' means diminishing the function of NF- $\kappa$ B to act as an intracellular messenger that turns on transcription of particular genes, in response to certain stimuli.") Ariad benefited from that claim construction because it lessened Ariad's burden for proving infringement.

**1. Judicial Estoppel Bars Ariad from Contending that the Claims Require NF- $\kappa$ B Activity to Be Reduced in a Manner that Differs from Naturally Occurring Activity Under the Same Conditions**

Judicial estoppel prevents a litigant from pressing a claim that is inconsistent with a position taken by that litigant in an earlier phase of the same legal proceeding. *New Hampshire v. Maine*, 532 U.S. 742, 749 (2001) (citing *Pegram v. Herdrich*, 530 U.S. 211, 227 n.8 (2000)); *Alt. Sys. Concepts, Inc. v. Synopsis, Inc.*, 374 F.3d 23, 32-33 (1st Cir. 2004). Judicial estoppel applies when a party has adopted one position, secured a favorable decision, and then taken a contradictory position in search of legal advantage. *Synopsis*, 374 F.3d at 33.

Two conditions must be satisfied for judicial estoppel to apply. First, the estopping position and the estopped position must be directly inconsistent, that is, mutually exclusive. *Synopsis*, 374 F.3d at 33; *New Hampshire*, 532 U.S. at 750. To the extent that Ariad now argues that the claims require a reduction in NF- $\kappa$ B activity that differs from naturally occurring activity under the same conditions, that position is expressly inconsistent with its position at the Markman hearing. Second, the party must have succeeded in persuading a court to accept its prior position. *Id.*; *New Hampshire*, 532 U.S. at 750-51. As shown above, Ariad succeeded in persuading the Court to adopt its proposed claim construction and thus reject any requirement

that NF-κB activity be reduced in a manner that differs from naturally occurring activity under the same conditions. Thus, the requirements for judicial estoppel apply in this instance.

Another factor that courts often consider in deciding whether to apply judicial estoppel is whether, absent an estoppel, the party asserting the inconsistent position would derive an unfair advantage, and whether judicial acceptance of a party's initial position conferred a benefit on that party *Id.* at 33; *New Hampshire*, 532 U.S. at 751. Here, Ariad benefited from the favorable claim construction, which lessened its burden in proving infringement during the jury trial. Ariad would derive an unfair advantage if the meaning of "reducing NF-κB activity" is now changed to a different, inconsistent construction that would benefit Ariad in its efforts to argue that the claims do not encompass natural phenomena. Ariad cannot now argue that the claims should be construed to include only reductions in NF-κB that differ from naturally occurring activity under the same conditions.

### **III. Conclusion**

Having successfully persuaded the Court that "reducing NF-κB activity" in the claims is not limited to reducing NF-κB activity in a manner that differs from naturally occurring activity under the same conditions, Ariad should be judicially estopped from now arguing that the claims do not encompass naturally occurring reductions of NF-κB activity such as those that occur during operation of the autoregulatory loop.

Respectfully submitted,

Date: August 7, 2006

/s/ Charles E. Lipsey  
Lawrence R. Robins (BBO# 632610)  
FINNEGAN, HENDERSON,  
FARABOW,  
GARRETT & DUNNER L.L.P.  
55 Cambridge Parkway  
Cambridge, MA 02142  
Telephone: (617) 452-1600  
Facsimile: (617) 452-1666

**Of Counsel**

Paul R. Cantrell  
Gilbert T. Voy  
Alexander Wilson  
Eli Lilly and Company  
Lilly Corporate Center  
Indianapolis, IN 46285  
Telephone: (317) 276-3885  
Facsimile: (317) 276-1294

Charles E. Lipsey  
FINNEGAN, HENDERSON,  
FARABOW,  
GARRETT & DUNNER L.L.P.  
Two Freedom Square  
11955 Freedom Drive  
Reston, Virginia 20190  
Telephone: (571) 203-2700  
Facsimile: (202) 408-4400

Robert D. Bajefsky  
David S. Forman  
Howard W. Levine  
Laura P. Masurovsky  
Sanya Sukduang  
Jennifer A. Johnson  
FINNEGAN, HENDERSON,  
FARABOW,  
GARRETT & DUNNER L.L.P.  
901 New York Ave., N.W.  
Washington, DC 20001  
Telephone: (202) 408-4000  
Facsimile: (202) 408-4400

**Attorneys for Defendant Eli Lilly  
and Company**

**CERTIFICATE OF SERVICE**

I hereby certify that this document filed through the ECF system will be sent electronically to the registered participants as identified on the Notice of Electronic Filing and paper copies will be hand-delivered in Court on August 7, 2006.

/s/ Charles E. Lipsey