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Nos. 09-1364, -1365 (Fed. Cir. Apr. 1, 2010)
[Appealed from E.D. Tex., Judge Clark]

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[Appealed from S.D. Ohio, Judge Beckwith]

Abbreviations

ALJ	Administrative Law Judge
ANDA	Abbreviated New Drug Application
APA	Administrative Procedures Act
APJ	Adminstrative Patent Judge
Board	Board of Patent Appeals and Interferences
Commissioner	Commissioner of Patents and Trademarks
CIP	Continuation-in-Part
DJ	Declaratory Judgment
DOE	Doctrine of Equivalents
FDA	Food and Drug Administration
IDS	Information Disclosure Statement
ITC	International Trade Commission
JMOL	Judgment as a Matter of Law
MPEP	Manual of Patent Examining Procedure
NDA	New Drug Application
PCT	Patent Cooperation Treaty
PTO	United States Patent and Trademark Office
SJ	Summary Judgment
TTAB	Trademark Trial and Appeal Board

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Contacts

If you have any questions or need additional information, please contact:
Esther H. Lim, Editor-in-Chief
Tina E. Hulse, Assistant Editor
Joyce Craig, Assistant Editor
Michael V. O'Shaughnessy, Assistant Editor

Washington, DC ▪ Atlanta, GA ▪ Cambridge, MA ▪ Palo Alto, CA ▪ Reston, VA ▪ Brussels ▪ Shanghai ▪ Taipei ▪ Tokyo

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May 2010

Spotlight Info

Last month, in *Innovative Therapies, Inc. v. Kinetic Concepts, Inc.*, No. 09-1085 (Fed. Cir. Apr. 1, 2010), the Federal Circuit affirmed the district court's dismissal of Innovative Therapies, Inc.'s ("ITI") DJ action against Kinetic Concepts, Inc. ("KCI") based on an absence of an actual controversy within the contemplation of the Declaratory Judgment Act ("DJA").

ITI filed suit for DJ that five patents are invalid and/or not infringed by a device that ITI planned to offer for sale. The district court dismissed the suit for lack of DJ. On appeal, the Federal Circuit addressed three factors cited by ITI: (1) ITI's representations to the FDA, (2) ITI's phone calls to KCI executives, and (3) KCI's patent enforcement history.

See the full summary in this issue.

Looking Ahead

On May 14, 2010, the Federal Circuit granted en banc rehearing in *TiVo, Inc. v. EchoStar Corp.*, No. 09-1374. The Court asked the parties to brief four issues relating to the circumstances under which it is appropriate for a district court to determine infringement by a newly accused device through contempt proceedings rather than new infringement proceedings, and the burden of proof and factors considered in determining infringement in contempt proceedings.

Oral arguments have been scheduled for July 8, 2010, in the Federal Circuit's en banc rehearing of *Hyatt v. Kappos*, No. 07-1066.

May 2010

Term of Degree "Readily" Not Indefinite If Patent Supplies Standard for Measuring Scope

William B. Raich

Judges: Lourie (author), Rader, Schall

[Appealed from E.D. Tex., Judge Clark]

In *Hearing Components, Inc. v. Shure Inc*., Nos. 09-1364, -1365 (Fed. Cir. Apr. 1, 2010), the Federal Circuit reversed the district court's determination that claims 1 and 2 of U.S. Patent No. 5,401,920 ("the '920 patent") were invalid as indefinite. The Court also reversed the district court's grant of JMOL that "straight-nozzle" earphone products sold by Shure Inc. ("Shure") did not infringe claims 17 and 36 of U.S. Patent No. 4,880,076 ("the '076 patent") and claims 1 and 13 of U.S. Patent No. 5,002,151 ("the '151 patent"), affirmed the district court's denial of JMOL that Shure's "barbed-nozzle" earphone product did infringe those claims, and affirmed the district court's holding that the '076 and '151 patents were not invalid or unenforceable on obviousness or laches grounds.

Shure sells earphone products, including earphones with two different nozzle designs, straight and barbed. Hearing Components, Inc. ("Hearing Components"), the owner of the patents-in-suit, accused Shure of infringing its patents with both designs. Hearing Components brought suit one day less than six years from the date it knew of Shure's alleged infringement.

The '920 patent is directed to a sound-transmitting device having a disposable wax guard. Asserted claim 1, from which claim 2 depends, states in the preamble that this wax guard is "readily installed and replaced by a user." The district court found this term indefinite during claim construction, reasoning that the term "readily" was not sufficiently explained in the specification since it would be difficult or impossible to determine what test group of users would be used to measure ease of installation and replacement as well as the degree of difficulty sufficient to avoid infringement.

The related '076 and '151 patents are directed toward a hearing aid piece connected to a disposable foam sleeve. The asserted claims of these patents require an "attaching" or "fastening" means for connecting the ear piece to the disposable sleeve. The specifications of these patents disclose several such means, including a screw thread attachment, a ball-and-socket attachment, and a layer of adhesive.

After a trial on the merits, the jury found the asserted claims of the ’076 and ’151 patents not invalid and infringed by both Shure’s straight- and barbed-nozzle designs. Shure thereafter moved for JMOL of invalidity as well as JMOL of noninfringement. The district court denied Shure’s motion for JMOL of invalidity but granted-in-part its JMOL of infringement. Focusing on infringement under the DOE, the district court held that Shure’s straight-nozzled products did not infringe the asserted claims, reasoning that the “interference fit” utilized by Shure’s products was not equivalent to the various attachment means disclosed in the patents because there was no protuberance, snap, adhesion, or other positive attachment to keep the parts connected. The district court denied Shure’s JMOL with respect to the barbed-nozzle products, as the barbed protuberance was deemed an equivalent structure to the described attachment means.

With respect to the ’920 patent, the Federal Circuit reversed the district court’s determination. As an initial matter, the Court determined that, although the phrase “readily installed and replaced by a user” occurs in the claim preamble, it is nevertheless a claim limitation because it was relied upon to distinguish prior art and is not duplicative of other language in the claim. Slip op. at 11.

“Not all terms of degree are indefinite. . . . ‘[A] court must determine whether the patent’s specification supplies some standard for measuring the scope of the phrase.’” Slip op. at 12-13 (quoting *Datamize, LLC v. Plumtree Software, Inc.*, 417 F.3d 1342, 1351 (Fed. Cir. 2005).

However, the Court determined that this limitation is not indefinite. The Court explained that while the claim term “readily” was a term of degree lacking “mathematical precision,” the patent’s specification nevertheless provides an adequate standard for measuring the scope of the phrase. *Id*. at 12-13. For example, the ’920 patent explains that the “readily installed and replaced wax guard” is “inexpensive and requires no tools for installation or removal.” The ’920 patent also provides prior art examples of hearing aids having wax guards that were difficult to remove or replace, which define the boundary of the claim by negative implication.

The Court disagreed with the concern of the district court that it would be difficult to identify the test group of users for installing or replacing the wax guard. While the ’920 patent describes age and disability as possible exacerbating factors for some users, the Court explained that the patent examples apply to all users. The Court therefore reversed the district court’s indefiniteness determination and remanded for adjudication of issues relating to the ’920 patent. *Id*. at 15.

With respect to the related ’076 and ’151 patents, the Federal Circuit agreed with the jury that both Shure’s straight- and barbed-nozzle products infringed the asserted claims. Reversing the district court, the Court held that the claimed attaching or fastening means do not require a protuberance, snap connection, adhesion, or any other positive connection with the duct. The Court stated that no positive male structure (such as the barb on Shure’s barbed-nozzle product) is required by the attaching or fastening means, noting that adhesive, which has no positive male structure, is one of the disclosed means of attachment. Moreover, the Court concluded that substantial evidence supported the jury verdict, as the jury heard evidence that “interference fit” was known at the time of the invention to be interchangeable with the described means of attachment. *Id*. at 21.

In an interesting wrinkle, Shure argued that the scope of equivalent structures covered by the claims

should be limited because the inventors had prior knowledge of "interference fit" but chose not to disclose it. The Court rejected this estoppel-like argument, stating that such prior knowledge is necessarily the case with known interchangeability, which nevertheless can support a finding of equivalence. Accordingly, the Court reversed the district court's grant of JMOL that Shure's straight-nozzled products do not infringe, and affirmed the court's denial of JMOL that Shure's barbed-nozzle products infringe.

With respect to the validity of the '076 and '151 patents, the Federal Circuit affirmed the district court's denial of JMOL upholding the jury's verdict of nonobviousness. The jury heard conflicting testimony on whether the asserted prior art references contained all of the claim limitations, on motivation to combine, and on secondary considerations. Because of this, the Court concluded that substantial evidence supported the jury's conclusion that the claimed inventions would not have been rendered obvious by the prior art.

The Court also affirmed the district court's finding of no laches. Shure argued that Hearing Component's delay in bringing suit prejudiced Shure because it otherwise could have established at least one more day of delay, which would have invoked the presumption of laches. Shure also argued that it suffered economic prejudice.

The Court rejected both of these arguments, agreeing with the district court that even if the presumption of laches were to apply on equity grounds, there was neither economic nor evidentiary prejudice to Shure. The Court stated that "evidentiary prejudice must consist of some separate disadvantage resulting from the delay, such as loss of records, unavailability of evidence, etc., that prevents a party from proving a separate claim or defense." *Id*. at 30. In contrast, if the only missing evidence is evidence of further delay, that does not amount to a showing of evidentiary prejudice. The Court also determined that there was no economic prejudice, noting that the district court permissibly found that Shure had relied on noninfringement opinions of counsel and would not have acted differently if it had been sued earlier. Moreover, while Shure did incur increased damages because of the delay in the infringement finding, it did not prove it was unable to respond in damages to compensate for that infringement. *Id*. at 31.

May 2010

Court Affirms Dismissal of a DJ Complaint Based on Absence of an Actual Controversy

Jessica L. Cox

Judges: Michel, Newman (author), Prost

[Appealed from D. Del., Judge Robinson]

In *Innovative Therapies, Inc. v. Kinetic Concepts, Inc.*, No. 09-1085 (Fed. Cir. Apr. 1, 2010), the Federal Circuit affirmed the district court's dismissal of Innovative Therapies, Inc.'s ("ITI") DJ action against Kinetic Concepts, Inc. ("KCI") based on an absence of an actual controversy within the contemplation of the Declaratory Judgment Act ("DJA").

The five patents at issue, all owned by KCI or exclusively licensed to KCI, relate to medical devices for negative pressure wound therapy used in treatment of chronic wounds. ITI was established in 2006 by several former employees of KCI in conjunction with Dr. Paul Svedman, a surgeon in the field of negative pressure wound therapy.

ITI filed suit for DJ that the five patents are invalid and/or not infringed by a device that ITI planned to offer for sale called the Svedman Wound Treatment System. KCI moved to dismiss for lack of declaratory jurisdiction, which the district court granted. ITI appealed, arguing that a confluence of three factors, taken together, established the existence of a controversy of "sufficient immediacy and reality" to warrant declaratory jurisdiction under *MedImmune, Inc. v. Genentech, Inc.*, 549 U.S. 118 (2007). On appeal, the Federal Circuit addressed the three factors cited by ITI: (1) ITI's representations to the FDA, (2) ITI's phone calls to KCI executives, and (3) KCI's patent enforcement history.

First, the Court considered ITI's argument that, since it had obtained expedited premarketing approval of the Svedman device based on representations to the FDA that the device had the "same technological characteristics" as KCI's previously approved wound therapy device and other FDA-approved devices that KCI had charged with infringement, this demonstrated the reasonableness of ITI's belief that KCI would regard the Svedman device as infringing KCI's patents. The Federal Circuit found that "[a]lthough 'meaningful preparation' to take infringing action may suffice for declaratory jurisdiction in some circumstances*, see Cat Tech LLC v. Tubemaster, Inc.*, 528 F.3d 871, 881 (Fed. Cir. 2008), representations to a third person about 'technological characteristics' do not establish a justiciable controversy with the patentee." Slip op. at 3-4. Further, the Court agreed with the district court that even

if KCI knew of ITI's representations to the FDA, this knowledge itself did not create a controversy within the contemplation of the DJA.

Next, the Federal Circuit addressed ITI's argument that statements made by KCI employees during two phone conversations were sufficient to demonstrate the existence of a justiciable controversy. The first telephone call took place between ITI's Chief Technology Officer, David Tumey, a former employee of KCI, and his former colleague, Michael Girouard, KCI's Director of Marketing. During the call, Tumey described the Svedman device and asked Girouard to predict KCI's response to its launch. Girouard responded: "KCI will act aggressively. You know that." *Id*. at 4. The second call took place between Tumey and another former colleague, Michael Burke, Senior Vice President of Manufacturing at KCI. Again, Tumey described the Svedman device and asked Burke to predict KCI's response to its launch. Tumey stated that Burke responded that KCI would "aggressively go after us . . . particularly if it is foam-based." *Id*. at 5 (alteration in original). In assessing these phone calls, the Court agreed with the district court, holding "that the indirection reflected in these conversations did not produce a controversy of such 'immediacy and reality' as to require the district court to accept declaratory jurisdiction." *Id.* at 6 (citing *SanDisk Corp. v. STMicroelectronics, Inc.*, 480 F.3d 1372, 1378 (Fed. Cir. 2007)).

"Although 'meaningful preparation' to take infringing action may suffice for declaratory jurisdiction in some circumstances, *see Cat Tech LLC v. Tubemaster, Inc.*, 528 F.3d 871, 881 (Fed. Cir. 2008), representations to a third person about 'technological characteristics' do not establish a justiciable controversy with the patentee." Slip op. at 3-4.

"Thus while prior litigation is a circumstance to be considered in assessing the totality of circumstances, the fact that KCI had filed infringement suits against other parties for other products does not, in the absence of any act directed toward ITI, meet the minimum standard discussed in *MedImmune*." *Id*. at 7-8.

The Federal Circuit then considered KCI's history of litigation to enforce its patents. Assessing this argument, the Court again agreed with the district court that *MedImmune* did not hold that a patent can always be challenged whenever it appears to pose a risk of infringement. The Federal Circuit explained that "while prior litigation is a circumstance to be considered in assessing the totality of circumstances, the fact that KCI had filed infringement suits against other parties for other products does not, in the absence of any act directed toward ITI, meet the minimum standard discussed in *MedImmune*." *Id.* at 7-8.

The Federal Circuit next addressed events that occurred after ITI filed the DJ complaint but before the district court's decision on the motion to dismiss, particularly KCI's filing of a patent infringement suit against ITI and ITI's subsequent filing of an Amended Complaint to include new counts for Lanham Act violations. The Court held "that ITI's supplemental complaint did not establish an actual controversy at the time of the original pleading, and that jurisdiction based on subsequent events did not relate back to the filing date of the initial complaint." *Id.* at 11.

The Federal Circuit then turned to whether the district court abused its discretion in dismissing the DJ action. The Court explained that based on the broad discretion afforded to district courts to administer the DJ practice, the district court did not abuse its discretion in dismissing ITI's DJ complaint.

Last, the Federal Circuit rejected ITI's argument that the convenience of the forum requires retaining the action in Delaware instead of in Texas or North Carolina where other related actions had been filed. The Court disagreed because ITI had not stated that any party had any significant business operations in Delaware, that any witness resided in Delaware, or that any conduct relevant to any aspect of the parties' dispute occurred there.

May 2010

Court Affirms SJ That Google's Online Advertising System Did Not Infringe

C. Brandon Rash

Judges: Newman, Bryson (author), Moore

[Appealed from E.D. Va., Judge Friedman]

In *Bid for Position, LLC v. AOL, LLC* No. 09-1068 (Fed. Cir. Apr. 7, 2010), the Federal Circuit affirmed the district court's grant of SJ of noninfringement in favor of defendants AOL, LLC ("AOL") and Google, Inc. (collectively "Google").

Bid for Position, LLC ("Bid for Position") sued Google for infringement of U.S. Patent No. 7,225,151 ("the '151 patent"). The '151 patent describes a method for conducting a continuous auction, such as a consumers' auction on the Internet for goods or services, or a vendor's auction for positions in an Internet advertising display. The claimed method allows a bidder to select a position of priority in the auction and automatically adjusts the bidder's bid so as to maintain that chosen priority status. The accused system is Google's Internet advertising system, AdWords, which runs continuous auctions to determine the placement of advertisements on Google's search results pages. AOL's system is a rebranded version of Google's AdWords.

The Federal Circuit noted that three clauses recited in two independent claims of the '151 patent—method claim 1 and system claim 11—were relevant to the appeal: (1) "information for selecting one of the two or more positions of priority that the first bidder wishes to maintain in the auction" (claim 1) and "selected one of the two or more positions of priority that the first bidder wishes to maintain in the auction" (claim 11); (2) "wherein the relative position of priority for providing the service for the first bidder is dependent upon whether the value of the first bid exceeds the value of the second bid"; and (3) "the auction for determining continuing priority for providing an ongoing service." Slip op. at 5. The district court found that AdWords did not satisfy each of the three contested limitations.

On appeal, the Federal Circuit affirmed the district court's ruling that AdWords without "Position Preference" does not infringe, because the Court agreed that the '151 patent does not read on a system that simply selects the highest ranking position of priority that is available for the offered bid, which is what AdWords does when the Position Preference feature is not activated. The Federal Circuit explained that the claims recite that the bidder must submit information for selecting a priority position that the bidder wishes to maintain in the auction, which suggests that the bidder must select a particular position

and not simply accept whatever position its bid will support. According to the Federal Circuit, the prosecution history confirms that the '151 patent does not cover a system in which the bidder simply bids for the "best available" position.

"The claim language uses the terms 'bid' and 'value of the bid' interchangeably, such that the two cannot be read to have separate meanings." Slip op. at 11.

The Federal Court noted that the patent examiner issued a rejection stating that the prior art already taught "selecting a bidding position, specifically the highest ranking bid position," and then "automatically reducing the first bid to a minimum which allows the bidder to keep the selected position of priority." *Id*. at 10. The Federal Circuit further noted that, in response to the rejection and to avoid prior art cited by the examiner, the inventor amended the claims to require the entry of information regarding the specific position of priority that the bidder wishes to maintain. Accordingly, citing *Seachange International, Inc. v. C-Cor, Inc.*, 413 F.3d 1361, 1372-73 (Fed. Cir. 2005), the Court found that it was clear that the inventor disclaimed the subject matter of selecting, through inaction, the highest available priority position. Because that is how AdWords functions without the Position Preference feature activated, the Federal Circuit held that configuration does not satisfy every limitation of claims 1 and 11, and therefore does not infringe the '151 patent.

The Federal Circuit reached the same conclusion with respect to AdWords with the Position Preference feature activated, but for a different reason. The Federal Circuit found that, while AdWords with Position Preference allows a bidder to select a specific position of priority, it does not satisfy the limitation of the '151 patent claims, which states: "the relative position of priority for providing the service for the first bidder is dependent on whether the value of the first bid exceeds the value of the second bid." The Federal Circuit found this limitation unsatisfied because, in AdWords, the relative position of priority is not determined solely by the monetary amount of the bid.

The Federal Circuit also rejected Bid for Position's argument that the claim term "value" was different from the amount or price of the bid because the "claim language uses the terms 'bid' and 'value of the bid' interchangeably, such that the two cannot be read to have separate meanings." Slip op. at 11. The Court noted that "[c]laim 1 recites, in a single subparagraph, the step of 'checking for whether a *first bid* from the first bidder exceeds a *second bid* from the second bidder,' wherein the bidders' relative position of priority 'is dependent on whether the *value of the first bid* exceeds the *value of the second bid*.'" *Id*. (quoting '151 patent, col. 14, ll. 15-16, 20-22). Under that formulation, according to the Federal Circuit, it is clear that checking for whether the first bid exceeds the second bid has the function of determining whether the value of the first bid exceeds the value of the second bid, and, thus, there is no distinction between the comparison of "bids" and the comparison of "bid values."

The Court further recognized that the language in the next step in claim 1—"incrementing the first bid to a value exceeding the second bid if the first bid does not exceed the second bid"—would make no sense if the "value" of the bid for purposes of the patent were different from the amount of the bid submitted by the bidder. The Federal Circuit explained that it would be meaningless to refer to the "value" of the first bid "exceeding the second bid" if the value of a bid meant something different from the amount of the bid. The Federal Circuit concluded that the consistent use of the term "value" throughout the '151 patent to refer to a bid amount confirmed that the '151 patent did not read on AdWords with Position Preference,

which bases the award of priority on something other than a comparison of the bid amounts. Therefore, the Federal Circuit held that the district court correctly entered SJ of no literal infringement with respect to AdWords with Position Preference.

The Federal Circuit also affirmed that the AdWords system did not infringe the "position of priority" limitation under the DOE. The Federal Circuit agreed with the district court that the method recited in the '151 patent, in which the amount of the bidder's bid determines the placement of the advertisement, is substantially different from AdWords, with or without Position Preference. The Court explained that, in the method of the '151 patent, the ultimate placement of an advertisement is purely a function of the relative amounts of the competing advertisers' bids, whereas, in AdWords, the ultimate placement of an advertisement is dictated by the product of the bid amount and the Quality Score that AdWords assigns. Thus, according to the Court, AdWords is not a pure bidding system like the system recited in the '151 patent, but instead operates in a quite different manner that enables the bid recipient, i.e., Google, to exercise substantial control over the outcome of the auction. The Federal Circuit found that this difference is sufficiently fundamental to conclude that a trier of fact could not properly find the AdWords system to be equivalent to the system recited in the '151 patent.

May 2010

Plaintiff University Fails to Provide Clear and Convincing Evidence of Joint Inventorship Where the Parties' Respective Stories Are "Equally Plausible"

Stephen C. Bellum

Judges: Michel, Clevenger (author), Dyk (concurring-in-part and dissenting-in-part)

[Appealed from D. Del., Judge Robinson]

In *Vanderbilt University v. ICOS Corp.*, No. 09-1258 (Fed. Cir. Apr. 7, 2010), the Federal Circuit affirmed the district court's judgment that Vanderbilt University ("Vanderbilt") failed to prove that Vanderbilt scientists were joint inventors on U.S. Patent Nos. 5,859,006 ("the '006 patent") and 6,140,329 ("the '329 patent"), which were assigned to ICOS Corporation ("ICOS").

The patents at issue are directed to compounds and methods for treating erectile dysfunction, including the compound tadalafil, the active ingredient in the drug Cialis®. Tadalafil belongs to a group of compounds that inhibit PDE5, a phosphodiesterase enzyme found in smooth muscle cells that binds to and breaks down cGMP, a cyclic nucleotide found in smooth muscle tissue. In normal function, cGMP binds with and activates a cGMP-dependent protein kinase, which results in relaxation and dilation of the smooth muscle cell. PDE5 inhibitors bind to PDE5 and prevent it from binding with and breaking down cGMP.

Vanderbilt scientists Jackie D. Corbin and Sharron H. Francis were among the first to discover PDE5 in the late 1970s. In 1989, Glaxo Inc. ("Glaxo") entered into a research agreement with Dr. Corbin to underwrite Vanderbilt's research of cGMP analogs. Under the agreement, Vanderbilt retained ownership of intellectual property, but Glaxo was granted a license agreement to any discoveries. During the three years of the program, Drs. Corbin, Francis, and Sekhar R. Konjeti (collectively "the Vanderbilt scientists") submitted numerous presentations and progress reports to Glaxo.

In 1990, Dr. Corbin disclosed to Glaxo Group Limited ("Glaxo U.K.") that the potency of cGMP analogs is enhanced by adding a phenyl ring at the 8-position. In 1991, however, Glaxo encouraged the Vanderbilt scientists to shift their future focus from cGMP analogs to PDE5 inhibitors. Subsequently, the Vanderbilt scientists applied the results of their cGMP analog research to synthesize a new PDE5 inhibitor. The Vanderbilt scientists ultimately attached a phenyl ring to the 8-position of known PDE5 inhibitor, 3-isobutyl-1-methylxanthine ("IBMX"), as well as an electron-donating hydroxyl group at the 4-position of the phenyl ring. The Vanderbilt scientists determined that those modifications of

IBMX created a PDE5 inhibitor they thought was 160 times more potent in inhibiting PDE5 than the original IBMX molecule. Dr. Corbin drafted a letter to Vanderbilt's general counsel disclosing possible therapeutic uses for the new IBMX analogs, including the treatment of male impotence.

In January 1992, Dr. Corbin sent a second research proposal to Glaxo U.K. detailing the test results of the cGMP analogs developed under the original research agreement. In the proposal, Dr. Corbin also described the Vanderbilt scientists' potent IBMX analog. Dr. Corbin also proposed a second research agreement to Glaxo for funding of the Vanderbilt scientists' work on PDE5 inhibitors going forward. Male impotence was listed as an area of interest, though Glaxo was not researching male impotence at the time. In February 1992, Dr. Corbin sent a more detailed research proposal to Dr. Barry Ross of Glaxo U.K. that disclosed the exact design of the Vanderbilt IBMX analog. The detailed research proposal also identified a table of other analogs that Vanderbilt proposed for further testing. Many of the listed compounds contained what Vanderbilt refered to as the "Vanderbilt structural features" of Vanderbilt's IBMX analog.

Following the Vanderbilt scientists' disclosure of the Vanderbilt structural features to Glaxo, a Glaxo research facility in Les Ulis, France ("Glaxo France"), tested 26 compounds for PDE5 inhibition in March 1992, including a compound it designated GR35273x. Then, in April 1992, Dr. Ross forwarded copies of Vanderbilt's second proposal to six Glaxo scientists, including Dr. Richard Labaudiniere, the head of chemistry and leader of the PDE5 project at Glaxo France. In turn, Glaxo France tested 29 compounds for PDE5 inhibition, including a beta-carboline compound designated GR30040x, which Dr. Labaudiniere identified as a lead compound for further research. Dr. Labaudiniere assigned the further GR30040x research to Dr. Alain Claude-Marie Daugan, the named inventor on the patents at issue, as a separate study. In the course of testing various modifications to the GR30040x compound between June 1992 and January 1994, Dr. Daugan discovered tadalafil.

In 1991, Glaxo assigned to ICOS the rights, title, and interest in the compounds covered by the '006 and '329 patents. Vanderbilt brought this suit under 35 U.S.C. § 256 against ICOS to correct inventorship of the patents, asserting that the Vanderbilt scientists should be added as joint inventors. According to Vanderbilt, the GR30040x compound could not have been identified by Dr. Labaudiniere as the lead compound without his use of the Vanderbilt structural features. Nor could tadalafil have been identified by Dr. Daugan without his reliance on Vanderbilt's work. The district court held a bench trial and found in favor of ICOS.

On appeal, Vanderbilt raised two arguments. First, Vanderbilt argued that its disclosure of the Vanderbilt structural features led to Glaxo France's identification of the GR30040x. In this regard, the gist of Vanderbilt's case was that Dr. Labaudiniere could only have identified GR30040x by using the Vanderbilt structural features. Second, Vanderbilt alleged that the key modification to GR30040x that yielded tadalafil was the addition of an electron-donating substituent on the phenyl ring based upon the work of the Vanderbilt scientists.

According to the Federal Circuit, a primary focus of 35 U.S.C. § 116, the applicable section for joint inventorship, has always been on collaboration and joint behavior. The Court noted that the interplay between conception and collaboration requires that each coinventor engage with the other coinventors to contribute to a joint conception.

"[A] group of co-inventors must collaborate and work together to collectively

have a definite and permanent idea of the complete invention." Slip op. at 19.

Vanderbilt attempted to piece together sufficient facts to demonstrate that the Vanderbilt structural features must have been used by Dr. Labaudiniere to identify GR30040x. However, ICOS contended that Dr. Labaudiniere independently discovered the compounds to be tested for PDE5 inhibition through his knowledge of beta-carbolines and their vasorelaxation effect. ICOS also pointed to testimony of Dr. Labaudiniere and Dr. Daugan to corroborate its theory on the identification of GR30040x. Dr. Labaudiniere testified that he did not have any knowledge about the Vanderbilt scientists' research until June 1993, he did not consider IBMX as a starting point for his work on PDE5 inhibitors, and he was not aware of anyone at Glaxo France using data relating to IBMX analogs or trying to develop PDE5 inhibitors that would resemble cGMP. Dr. Daugan confirmed that his recollection matched that of Dr. Labaudiniere. In sum, ICOS argued that Vanderbilt's case failed for lack of evidence of any joint collaboration on the invention since neither of the Glaxo France scientists had any knowledge of the work of the Vanderbilt scientists when they did their work relating to the discovery of tadalafil.

Conversely, Vanderbilt instead proposed that Dr. Labaudiniere reviewed the Vanderbilt scientists' second research proposal and conducted a substructure search based upon the Vanderbilt IBMX analog. Vanderbilt pointed out that just weeks after receiving Vanderbilt's proposal, Glaxo France tested 29 compounds for PDE5 inhibition. Vanderbilt pointed out a number of structural similarities between the tested compounds and its February research proposal.

Vanderbilt's second argument was that after the GR30040x project was assigned to Dr. Daugan, he added to tadalafil an additional element of the Vanderbilt structural features. Vanderbilt argued that this modification directly used the results of the Vanderbilt scientists' research. ICOS responded that the modifications were all part of a standard trial and error procedure that would be tried with any molecules of interest.

The only evidence of record regarding Glaxo's modifications to GR30040x was the testimony of Drs. Daugan and Labaudiniere. Dr. Daugan testified that "[t]he first thing [he] did in this series was explore the replacement of the pyridinyl[] moiety with other heterocyclic or aromatic moieties." Slip op. at 13 (alterations in original). Dr. Labaudiniere testified that there are a standard group of substitutions or additions that would be tried with any molecules of interest. Dr. Labaudiniere characterized the modifications leading to tadalafil as "obvious" and conducted in a "trial-and-error" fashion. *Id.* There was no testimony or documentary evidence demonstrating a link between the Vanderbilt scientists and Dr. Daugan prior to the identification of tadalafil. Indeed, Vanderbilt admitted in the district court that it had no direct evidence to support its view of the facts.

The Federal Circuit concluded that Vanderbilt failed to present clear and convincing evidence to support its argument that the work of the Vanderbilt scientists was appropriated by Dr. Labaudiniere for his substructure search. With regard to Vanderbilt's argument that Dr. Daugan made use of the Vanderbilt scientists' research for the modifications to GR30040x, the Federal Circuit found that Vanderbilt also failed to present clear and convincing evidence to support its argument that the modifications to GR30040x by Dr. Daugan made use of the Vanderbilt scientists' research.

The Federal Circuit noted that the district court opinion contained some erroneous statements regarding the law of joint inventorship and a misunderstanding of the relevance of *Board of Education ex rel. Board of Trustees of Florida State University v. American BioScience Inc.*, 333 F.3d 1330 (Fed. Cir. 2003). The

district court had relied on *American BioScience* to require that each coinventor should have an independent conception of the final compound for a chemical invention. The district court ruled that because the Vanderbilt structural features constituted no more than a portion of a claimed compound, the Vanderbilt scientists cannot, as a matter of law, be joint inventors. Although the Federal Circuit affirmed the district court's final judgment, the Federal Circuit concluded that the district court's interpretation of *American BioScience* was clearly wrong under its established precedent. "Instead, a group of co-inventors must collaborate and work together to collectively have a definite and permanent idea of the complete invention." Slip op. at 19. The Federal Circuit also stated that "[t]he determination of whether a person is a joint inventor is fact specific, and no bright-line standard will suffice in every case." *Id*. (quoting *Fina Oil & Chem. Co. v. Ewen*, 123 F.3d 1466, 1473 (Fed. Cir. 1997)).

The Federal Circuit concluded that the district court correctly noted that conception requires identification of the specific chemical structure of the compound. The parties agreed that Dr. Daugan was the first to conceive of tadalafil. The Federal Circuit also agreed with the district court's finding that, after a careful review of the evidence, the parties' respective stories about whether the Vanderbilt scientists contributed to the identification of GR30040x were "equally plausible" and that Vanderbilt failed to produce any evidence of joint invention of tadalafil. The Court held that the district court's findings demonstrate that under the correct legal test, Vanderbilt did not carry its burden. Accordingly, the Federal Circuit held that the district court's erroneous interpretation of the Court's case law was harmless error.

In a separate opinion concurring-in-part and dissenting-in-part, Judge Dyk agreed that the district court applied the wrong standard for joint inventorship. But Judge Dyk disagreed from the majority's conclusion that the district court's legal error was harmless because, in his opinion, the findings were either contradictory or infected by the district court's legal error. Accordingly, Judge Dyk believed that the Court should vacate the judgment of the district court and remand so that the district court may make factual findings under the proper law.

Court Affirms Board's Finding of Adequate Written Description and Reverses Board's Finding of Failure to Establish Actual Reduction to Practice in an Interference

Shana K. Mattson

Judges: Michel (author), Gajarsa, Kendall (District Judge sitting by designation)

[Appealed from Board]

In *Yorkey v. Diab*, No. 08-1577 (Fed. Cir. Apr. 7, 2010), the Federal Circuit affirmed the Board's denial of Thomas J. Yorkey's motion seeking invalidity of claims 16-18 and 21 of Mohamed K. Diab et al.'s U.S. Patent Application Serial No. 09/110,542 (the "Diab application") for inadequate written description. Additionally, the Court reversed the Board's finding that Yorkey failed to establish a prima facie case of actual reduction to practice, which had led the Board to award priority to the Diab application over Yorkey's U.S. Patent No. 5,645,060 (the "Yorkey patent"). The Court remanded the case to the Board for further proceedings.

The Diab application and the Yorkey patent were directed to methods of measuring the amount of oxygen in the blood of a patient. The Court noted that a major problem in the detection of blood oxygen saturation is the presence of ambient interference ("noise"), and that the claims at issue involved methods of noise filtering. The Diab application was filed on July 6, 1998, and claimed a priority benefit date of October 7, 1994. The Yorkey patent was based on an application filed June 14, 1995.

In 2006, the Board declared an interference (No. 105,471) with two counts, and declared Yorkey as the junior party. During the motions phase of the interference, Yorkey filed four motions that were denied by the Board, including a motion seeking invalidity of the Diab application for inadequate written description under 35 U.S.C. § 112, ¶ 1. Yorkey appealed the Board's denial of this motion to the Federal Circuit, and also appealed the Board's decision that Yorkey failed to establish a prima facie case of actual reduction to practice prior to Diab's benefit date.

On appeal, the Federal Circuit affirmed the Board's decision that the Diab application met the written description requirement of 35 U.S.C. § 112, ¶ 1, noting that the record contained substantial evidence. In so holding, the Court disagreed with Yorkey's assertion that the Diab application failed to convey to a person of ordinary skill in the art that Diab had possession of the invention when he filed his application. The Court noted that it was required to give deference to the Board's evaluation of the credibility of expert

witnesses, and that the Board found Diab's expert to be a more credible witness than Yorkey's expert.

However, the Court reversed the Board's ruling that Yorkey failed to establish a prima facie case of actual reduction to practice prior to Diab's benefit date, and remanded the case to the Board for further proceedings. The Federal Circuit held that Yorkey met his burden of establishing a prima facie case of actual reduction to practice by showing that his invention met the limitations of the interference Count and that it worked successfully for its intended purpose. The Court noted that Yorkey's principal evidence of reduction to practice was a computer program, two versions of which were archived before Diab's benefit date. The computer program did not involve the first two data-collection steps of the interference Count, and instead used input data collected either at hospitals or from in-house breathe-down tests conducted by Yorkey's research associate, Clark R. Baker.

"In order to corroborate a reduction to practice, it is not necessary to produce an actual over-the-shoulder observer." Slip op. at 15 (quoting *Cooper v. Goldfarb*, 154 F.3d 1321, 1330 (Fed. Cir. 1998)).

The Board found that the data presented in Yorkey's motion could have corresponded to data collected at the hospitals or to data collected by Baker, and that if the presented data had been collected at hospitals, it could not be assumed to have been collected according to the first two steps of the Count, pointing particularly to the patient movement requirement of the Count. The Board concluded that the presented data could not be used to establish an actual reduction to practice. The Federal Circuit disagreed, holding that the Board clearly erred in finding the purported ambiguity in the source of the data to be fatal to Yorkey's claim of reduction to practice. The Court held that the source of the data did not matter, reasoning that even though Baker had no direct knowledge that the patients were moving during the tests conducted in hospitals, such direct knowledge was unnecessary for a showing of reduction to practice. The Court stated, "In order to corroborate a reduction to practice, it is not necessary to produce an actual over-the-shoulder observer." Slip op. at 15 (quoting *Cooper v. Goldfarb*, 154 F.3d 1321, 1330 (Fed. Cir. 1998)). Furthermore, the Court found that Baker was able to determine whether a motion component was included just by inspecting the collected data. The Board further found that the two versions of the computer program were not self-explanatory and that Yorkey had not specifically identified the input interface, the output interface, or the sequence of computational steps and calculations that transformed the input data into the output determination of blood oxygen saturation. The Court again disagreed with the Board, finding that the Board acknowledged that the first Count limitation was met, and that the other limitations were met by the software code and by Yorkey's explanation of the code. The Federal Circuit thus held that Yorkey met his burden of establishing a prima facie case of actual reduction to practice by showing that his invention met the limitations of the interference Count and that it worked successfully for its intended purpose.

May 2010

Court Affirms Board's Interference Ruling After Finding Claims Satisfied Written Description Requirement

Troy A. Petersen

Judges: Michel (author), Gajarsa, Kendall (District Judge sitting by designation)

[Appealed from Board]

In *Yorkey v. Diab,* No. 08-1578 (Fed. Cir. Apr. 7, 2010), the Federal Circuit affirmed the Board's decision denying Thomas J. Yorkey's motion for judgment that claim 39 of U.S. Patent Application Serial No. 09/111,604 ("the '604 application") failed to comply with the written description requirement of 35 U.S.C. § 112, ¶ 1, and judgment of no interference-in-fact with respect to U.S. Patent No. 5,645,060 ("the '060 patent").

Yorkey owns the '060 patent, which is directed to measuring the concentration of oxygen in blood and addresses the problem of accurate measurement in the presence of ambient noise interference. Mohamed K. Diab and five other inventors filed the '604 application, claiming priority to two earlier applications. The Board declared an interference, identifying Yorkey as the junior party.

Yorkey filed motions seeking rulings that the '604 application was invalid because it failed to comply with the written description requirement of 35 U.S.C. § 112, ¶ 1, and that there was no interference-in-fact. The Board denied both motions, ultimately awarding priority to the '604 application and invalidating the '060 patent.

On appeal, the Federal Circuit affirmed. The corresponding Yorkey and Diab claims at issue in this case were almost identical, as is common practice in an interference. In Diab's '604 application, however, claim 39 specified a step for solving "functions," while claim 6 of Yorkey's '060 patent referred to solving "three functions." The Board found the testimony of Diab's expert to be more credible than that of Yorkey's because it was more consistent with the language of the claims. The Board was not persuaded by Yorkey's argument that solving the three functions to obtain a value for oxygen saturation required solving the three functions directly or simultaneously, observing that Yorkey did not point to any terms in the claims or any description in the specification that compelled such a narrow construction of its own claims.

"The test for sufficiency of support in a parent application is whether the disclosure of the application relied upon 'reasonably conveys to the artisan that the inventor had possession at that time of the later claimed subject matter.'" Slip op. at 10 (quoting *In re Kaslow*, 707 F.2d 1366, 1375 (Fed. Cir. 1983).

Ultimately, the Federal Circuit found that the Board's denial was supported by substantial evidence and concluded that Diab's claim anticipated Yorkey's claim—a showing of either anticipation or obviousness is required for an interference finding—when given the broadest reasonable construction.

The Yorkey and Diab claims also differed in that the steps of the Diab invention as specified were performed sequentially to produce a value for saturation, while the claimed saturation calculation in Yorkey's invention was based on matrix algebra. Again, the "broadest reasonable construction" standard worked in Diab's favor, as the Federal Circuit accepted Diab's argument that it was well known in the art that while matrix algebra can be used to simplify mathematical calculations, in substance, it performs the same task of solving functions consecutively.

Yorkey then argued that the Diab specification contained an inadequate written description. The Federal Circuit reviewed the Diab '604 application specification in detail and concluded that the claim limitations at issue were adequately supported. Specifically, the Federal Circuit found that the "solving the three functions" limitation was supported because the Diab application disclosed "using the third wavelength" to generate a reference signal and, therefore, the third signal is used in the ultimate calculation of saturation. The Federal Circuit thus affirmed both Board judgments.

May 2010

Federal Circuit Clarifies That the Rule Against Reissue Recapture Applies to Subject Matter Surrendered During Prosecution of Related Patent Applications

Mirit Snir

Judges: Gajarsa (author), Clevenger, Dyk

[Appealed from D. Mass., Judge Tauro]

In *MBO Laboratories, Inc. v. Becton, Dickinson & Co.*, No. 08-1288 (Fed. Cir. Apr. 12, 2010), the Federal Circuit affirmed the district court's holding of invalidity of claims 27, 28, 32, and 33 of U.S. Reissue Patent No. 36,885 ("the RE '885 patent") based on the rule against recapture, and reversed the district court's holding of invalidity of all other claims. The Court also remanded to the district court to address Becton, Dickinson & Company's ("Becton") motion for SJ of noninfringement on original claims 13, 19, and 20.

MBO Laboratories, Inc. ("MBO") owns the RE '885 patent, which is a reissue of U.S. Patent No. 5,755,699 ("the '699 patent"). The RE '885 patent discloses a design for a hypodermic safety syringe that protects against needle-stick injuries by covering contaminated needles in a protective guard after they have been removed from a patient. The RE '885 and '699 patents are members of a larger patent family that claims priority back to November 8, 1990, and that includes (1) U.S. Patent No. 5,176,655 ("the '655 patent"); (2) a continuation-in-part of the '655 patent, issued as U.S. Patent No. 5,395,347 ("the '347 patent"); (3) an abandoned continuation of the '347 patent, U.S. Patent Application No. 08/398,772 ("the '772 application"); (4) the '699 patent, which is a continuation of the '772 application; and (5) the RE '885 patent.

During prosecution of the '655 and '347 patents and the '772 application, MBO submitted various claim amendments and arguments to overcome the references applied by the examiner. In particular, during prosecution of the '772 application, MBO argued, among other things, that "a [guard] body . . . for slidably receiving a needle" distinguished the claimed subject matter over the applied reference. Slip op. at 6-7 (alteration in original). Based on the arguments submitted by MBO, the examiner allowed the '772 application, which was abandoned to pursue broader claims in the application that eventually issued as the '699 patent.

MBO applied for a reissue patent on July 1, 1999, arguing that it had the right to obtain claims of broader scope than those of the '699 patent. Specifically, MBO noted that it was entitled to claim a system having any relative movement between the needle and the body, and not just a system where the needle must

be bodily moved toward the safety device. In MBO's reissue application, claims 1-20 represented the original patent claims from the '699 patent and claims 21-36 represented the reissue claims. The PTO granted MBO's reissue application without objection, resulting in the RE '885 patent.

MBO subsequently filed a patent infringement suit against Becton, alleging infringement of the RE '885 patent. The district court construed several claim terms, including "slidably receiving," "relatively moved," and their cognates. On appeal, the Federal Circuit reversed the district court's constructions of these terms, finding that the district court improperly construed the terms in light of the rule against recapture rather than the ordinary meaning of these terms. The Federal Circuit then remanded the case to the district court for proceedings consistent with the proper claim construction.

On remand, MBO and Becton entered into a stipulation agreement in which MBO narrowed its invalidity contentions to claims 13, 19, 20, 27, 28, 32, and 33 of the RE '885 patent, and in which Becton admitted infringement of claims 32 and 33 of the RE '885 patent if they were valid. Becton then moved for SJ of invalidity regarding claims 27, 28, 32, and 33 of the RE '885 patent, alleging that MBO had recaptured subject matter it surrendered during patent prosecution, and moved for SJ of noninfringement regarding claims 13, 19, and 20.

"[W]e seek to clarify that a patentee may violate the rule against recapture by claiming subject matter in a reissue patent that the patentee surrendered while prosecuting a related patent application." Slip op. at 16.

The district court subsequently held that the entire RE '885 patent, including both the original and reissue claims, was invalid because reissued claims 27, 28, 32, and 33 recaptured surrendered subject matter. The district court consequently denied Becton's motion for SJ of noninfringement as moot and entered final judgment in Becton's favor. MBO timely appealed, and Becton filed a motion to reconsider and amend the judgment with the district court, explaining that the motion based on the recapture rule was directed only to claims added by reissue. The Federal Circuit suspended the appeal until the district court ruled on Becton's motion. Upon denial of Becton's motion without explanation, the Federal Circuit reactivated the appeal.

On appeal, the Federal Circuit applied a three-part test to determine that MBO violated the rule against recapture by seeking to reclaim surrendered subject matter in its reissue claims. The Court found that substantial evidence supported the district court's finding that MBO clearly and unmistakably surrendered claiming a guard body that moved relative to a fixed needle. MBO twice overcame the examiner's rejections by emphasizing that the prior art disclosed a type of guard that moved relative to a fixed needle. And MBO stressed that its needle moved relative to the guard by "slidably retracting." Thus, the Court held that because MBO surrendered a guard body that moved forward to cover a fixed needle and sought to reclaim relative movement in its reissue claims, MBO violated the rule against recapture.

Furthermore, in affirming the district court's holding, the Federal Circuit also clarified that a patentee may violate the rule against recapture by claiming subject matter in a reissue patent that the patentee surrendered while prosecuting a related patent application. The Federal Circuit noted the similarities between the underlying goals of the rule against recapture and the doctrine of prosecution history estoppel: preventing a patentee from encroaching back into territory previously committed to the public. Accordingly, because the rule against recapture and prosecution history estoppel both protect the public's

interest in relying on a patent's prosecution history, the Court held that equity requires a review of a patent family's prosecution history to protect against recapture in a reissue patent.

However, the Federal Circuit held that the district court erroneously invalidated the entire RE '885 patent based solely on the finding that reissue claims 27, 28, 32, and 33 were invalid under the rule against recapture. When a reissue patent contains unmodified original patent claims and the reissue claims, a court can only invalidate the reissue claims under the rule against recapture. The Federal Circuit noted that original claims will always survive a recapture challenge because original claims cannot be broader than themselves. As such, the district court erroneously failed to address Becton's motion for SJ of noninfringement of claims 13, 19, and 20. The Federal Circuit, however, declined to address Becton's noninfringement arguments, as these arguments were not yet considered by the district court. Accordingly, the Federal Circuit remanded Becton's motion for SJ of noninfringement to the district court.

May 2010

Recordation of Patent Assignment at the PTO Created a Presumption of Validity of the Assignment

Troy L. Gwartney

Judges: Michel, Clevenger, Dyk (author)

[Appealed from ITC]

In *SiRF Technology, Inc. v. International Trade Commission*, No. 09-1262 (Fed. Cir. Apr. 12, 2010), the Federal Circuit affirmed the ITC's finding of infringement and held that patent assignments at the PTO are to be given a presumption of validity. The Court also held that the ITC's finding of direct infringement of method claims was proper where the acts of third parties were not required by the claim language. Finally, the Court held that tying claims directed toward GPS calculations performed by a GPS device was directed to patentable subject matter.

Global Locate, Inc. and Broadcom Corp. (collectively "Global Locate") own U.S. Patent Nos. 6,417,801 ("the '801 patent"), 6,606,346 ("the '346 patent"), 6,651,000 ("the '000 patent"), 6,704,651 ("the '651 patent"), 6,937,187 ("the '187 patent"), and 7,158,080 ("the '080 patent"). These six patents generally relate to calculations performed on GPS receivers to determine a receiver's location from GPS satellites and Assisted-GPS broadcasts. Global Locate accused two lines of SiRF Technology, Inc.'s ("SiRF") GPS microchips of infringement in the ITC along with several end-user devices that incorporate these chips. The ITC found that all six patents were infringed, not invalid, and not unenforceable.

On appeal, the Federal Circuit first addressed SiRF's argument that Global Locate lacked standing to assert the '346 patent. SiRF alleged that Magellan Corporation ("Magellan") was co-owner of the '346 patent by way of an assignment clause found in an employment agreement of one of the coinventors. While employed at Magellan, one of the coinventors of the '346 patent conceived of the subject matter of the patent. The employment agreement stated that the employee assigns to Magellan all inventions that were "related to or useful" in the business of Magellan and that were conceived during the period of employment, whether or not in the course of employment. Therefore, SiRF alleged that Global Locate lacked standing to assert the '346 patent due to a lack of joinder of all co-owners of the patent.

"In order for the addition of a machine to impose a meaningful limit on the

scope of a claim, it must play a significant part in permitting the claimed method to be performed, rather than function solely as an obvious mechanism for permitting a solution to be achieved more quickly, i.e. through the utilization of a computer for performing calculations." Slip op. at 22.

Both parties agreed that Global Locate had the burden to establish standing. To do so, Global Locate submitted the patent assignment record at the PTO, showing that Global Locate was assignee of the patent in question. The Court held that the recorded assignment is not a determination as to the validity of the assignment but creates a presumption of validity as to the assignment and places the burden to rebut such a showing on the one challenging the assignment. The Court stated that such a rule is consistent with and supported by 35 U.S.C. § 261, which provides a defense for a bona fide purchaser for value against a subsequent purchaser when the assignment is recorded in the PTO within three months of the purchase or before the subsequent purchase. With the burden shifted to SiRF, the Court found that substantial evidence supported the ITC's determination that SiRF had not sustained its burden.

The Court found that because the phrase "related to or useful in" was inherently ambiguous, it was proper to look to the parties' own interpretation of this language as determinative. Magellan had filed a trade-secret suit against the former employee, which ended with Magellan concluding that it had no rights in any subject matter that overlapped with the present suit. Thus, the Court affirmed the ITC's determination that because Magellan concluded that it had no ownership interest in the invention, there was no evidence to suggest that the invention was "related to or useful" in the business of Magellan.

The Court next addressed the ITC's determination that SiRF had directly infringed claims in the '651 and '000 patents. SiRF argued that some steps were necessarily done by third-party end users and that joint infringement failed because SiRF did not direct or control the actions of the end users. The Court disagreed, finding the claims as written did not require any action by a third party and, thus, the ITC properly found SiRF to be a direct infringer.

Finally, the Court addressed whether the asserted claims in the '801 and '187 patents recited patentable subject matter. In its de novo review of the issue, the Court used its *Bilski* framework—that a claimed process is patent eligible if (1) it is tied to a particular machine or transforms a particular article into a different state or thing, and (2) "the use of a specific machine or transformation of an article must impose meaningful limits on the claim's scope to impart patent-eligibility." Slip op. at 21 (quoting *In re Bilski*, 545 F.3d 943, 961 (Fed. Cir. 2008) (en banc), *cert. granted*, 129 S. Ct. 2735 (2009)). The Court found that a GPS receiver is a machine and is integral to the methods at issue, and that the methods claimed could not be performed without a GPS receiver.

The Court further found that the presence of the GPS receiver in the claims placed a meaningful limit on the scope of the claims. The Court explained that "[i]n order for the addition of a machine to impose a meaningful limit on the scope of a claim, it must play a significant part in permitting the claimed method to be performed, rather than function solely as an obvious mechanism for permitting a solution to be achieved more quickly, i.e., through the utilization of a computer for performing calculations." *Id*. at 22. Thus, the Court held that the claims at issue were properly directed to patentable subject matter as they explicitly required the use of a particular machine (a GPS receiver) and could not be performed without the use of such a receiver.

Claims to a Controller with Multiple Input Members Were Not Supported by Earlier Application That Described a Controller with a Single Input Member

Jared D. Schuettenhelm

Judges: Newman (author), Gajarsa (concurring), Dyk

[Appealed from E.D. Tex., Judge Clark]

In *Anascape, Ltd. v. Nintendo of America*, *Inc.*, No. 08-1500 (Fed. Cir. Apr. 13, 2010), the Federal Circuit reversed the district court's ruling that the claims at issue in U.S. Patent No. 6,906,700 ("the '700 patent") were entitled to the earlier filing date of U.S. Patent No. 6,222,525 ("the '525 patent"), from which they claimed priority, and thus reversed a jury's finding of validity, infringement, and an award of damages.

Anascape, Ltd. ("Anascape") owns both the '700 and '525 patents, which are directed to video game controllers. An operator's hand movements are electronically sensed and translated into corresponding linear and rotational movements shown on a graphic display. The hand inputs are implemented through handles, such as joysticks or trackballs, which move graphic images in six general directions.

The '700 patent was filed as a CIP of the application that became the '525 patent. While the claims and specification of the '525 patent describe "controllers having a single input member that is operable in six degrees of freedom," the claims and specification of the '700 patent describe controllers "having multiple input members that together operate in six degrees of freedom." Thus, the issue was whether the written description of the '525 patent adequately supported the '700 patent claims. This priority claim was important because Anascape had conceded that an intervening Sony prior art reference would invalidate the '700 patent claims if they were not accorded the earlier filing date of the '525 patent. At trial, the district court acknowledged that the applicant "clearly expected the inventions to be used with a single input member . . . that moved in [six degrees of freedom]." Slip op. at 4 (citation omitted). Nevertheless, the district court held that the '700 patent was entitled to the filing date of the '525 patent.

On appeal, the Federal Circuit held that the district court erred in ruling that the claims at issue in the '700 patent were entitled to the filing date of the '525 application. At the outset, the Federal Circuit declared that "[t]he issue turns on whether the specification of the '525 patent supports . . . controllers having multiple input members that together operate in six degrees of freedom, as described and claimed in the '700 patent." *Id*. at 3-4. Addressing this question, the Court agreed with Nintendo that the '525 specification was directed to only a single input member and described the use of multiple input members

as having significant disadvantages.

"A patentee is not deemed to disclaim every variant that it does not mention. However, neither is a patentee presumed to support variants that are not described." Slip op. at 11.

Anascape pointed to some of the issued claims of the '525 patent, which recite an "input member moveable on at least two axes," arguing that this adequately described more than a single input member for priority purposes. But the Court found that it need not decide the significance of the words "at least two," since this text was not part of the specification and claims as originally filed, but was later added to the claims by an amendment.

The Court also found that the applicant's textual changes in the specification supported the conclusion that the '525 patent was directed to a single input member. For instance, in the "Background of the Invention" and "Summary of the Invention" sections of the '700 application, the court noted that "every occurrence of 'hand operable single input member' in the '525 specification was replaced with 'hand operable input member(s)' . . . or 'at least one hand operable input member.'" *Id.* at 9 (citation omitted). Turning to the remainder of the specification, the Court further observed that the applicant changed sixteen of the seventeen references to a "single input member" to reference "at least one input member." While Anascape argued that these changes did not add new matter, the Court found that position untenable. Indeed, the Court stated that removing the limitation of a single input member capable of movement in six degrees of freedom, and filing new claims with commensurately broadened scope, was "classical new matter." *Id.* at 10.

Anascape also argued that the subject matter described in the '525 specification was simply a preferred embodiment, and that the inventor did not disclaim the broader scope of the '700 patent claims. In this regard, the district court had observed that "nothing in the ['525] specification disclaims other variation." *Id.* (alteration in original) (citation omitted). But the Federal Circuit noted that "the question is not whether the patentee in the '525 specification 'disclaimed' the scope of the '700 patent; the question is whether the '525 specification sufficiently describes the later-claimed subject matter." *Id.* The Court acknowledged that "[a] patentee is not deemed to disclaim every variant that it does not mention. However, neither is a patentee presumed to support variants that are not described." *Id.* at 11.

The Court also rejected Anascape's attempt to rely on the testimony of its expert witness to establish that the '525 specification adequately described the subject matter of the '700 patent's claims. While Anascape's expert testified that the '525 patent was not limited to single input 6-degree-of-freedom controllers, the Court found that this testimony "is not supported by any evidence at all." *Id.*

As a result, the Federal Circuit concluded that "the description in the '525 specification is not reasonably read as describing a larger invention, of which the single input was only a preferred embodiment." *Id.* at 13. Instead, "the only reasonable reading of the '525 specification is that it is directed to and describes only a controller having a single input member operable in six degrees of freedom." *Id.* at 14. Accordingly, "[t]he district court erred in ruling that this subject matter is adequately described in the '525 specification, for the statutory requirements are not met, on any reading of the '525 specification." *Id.* And because Anascape had admitted that intervening prior art anticipated the asserted claims of the '700 patent, the Federal Circuit reversed the judgment of validity and award of damages.

Judge Gajarsa concurred with the ruling, but wrote separately "to highlight the majority's best use of the written description requirement as a priority-policing mechanism in contradistinction to an independent basis for validity." Gajarsa Concurrence at 1. In his view, "[t]he majority's application of the written description requirement, in my judgment, would be the preferred use of the written description requirement." *Id.* at 2. In contrast, Judge Gajarsa criticized the recently decided case of *Ariad Pharmaceuticals, Inc. v. Eli Lilly & Co.*, No. 08-1248 (Fed. Cir. Mar. 22, 2010), which used the written description requirement rather than enablement to invalidate claims. He explained that "[t]hough *Ariad* makes clear that written description is not confined to the priority policing context, I continue to believe such confinement, while not statutorily mandated, streamlines litigation and arguably reconciles some of our written description and enablement precedent[s]." Gajarsa Concurrence at 3.

May 2010

Confusion Is Likely Between the Marks "ML" and "ML MARK LEES" for Identical Goods

Dana M. Nicoletti

Judges: Newman (author), Clevenger, Linn

[Appealed from TTAB]

In *In re Mighty Leaf Tea*, No. 09-1497 (Fed. Cir. Apr. 13, 2010), the Federal Circuit affirmed the TTAB's refusal to register the mark ML for skin care products, based on a likelihood of confusion with the mark ML MARK LEES for identical products. The Court rejected the applicant's argument that the TTAB gave inadequate weight to its submitted evidence of third-party marks incorporating the letters "ML" for skin care products and agreed with the TTAB that the additional words MARK LEES in the registrant's mark were not enough to distinguish the mark from ML.

Applicant Mighty Leaf Tea filed an application in July 2007 to register the mark ML for skin care and bath products in Class 003. The Examining Attorney rejected the application based on a likelihood of confusion with the mark ML MARK LEES for skin care products and makeup. In response to the rejection, Mighty Leaf Tea stated that its application was for the mark ML in standard character form, as opposed to the stylized script form used on the cited mark. Mighty Leaf Tea also argued that the Examining Attorney failed to determine whether, and to what extent, similar marks were being used on similar goods. In arguing that the field is crowded for skin care products under marks including the letters "ML," Mighty Leaf Tea submitted evidence of third-party registrations and pending applications for skin care products that included the letters "ML" along with other letters, such as MLE, MLUXE, and JML. The Examining Attorney maintained the refusal to register, and the TTAB affirmed.

The TTAB found that some of Mighty Leaf Tea's goods were identical to those in the cited registration and could not be distinguished by the channels of trade or the conditions of sale. Further, the stylized form of the cited ML MARK LEES mark did not distinguish it from ML; Mighty Leaf Tea was seeking to register ML in standard character form, which is not limited to any particular style. The TTAB held that the presence of the name MARK LEES in the registered mark did not diminish the likelihood of confusion, since consumers familiar with the mark would likely assume that Mighty Leaf Tea's ML mark was likely a variation or abbreviation of ML MARK LEES. As to Mighty Leaf Tea's evidence of third-party "ML" marks for skin care products, the TTAB observed that "inclusion of the letters 'ML' in other words or aggregates does not render these marks so similar and weak that the public would be alert to small differences."

Slip op. at 4. The TTAB concluded that the mark ML for the designated goods was likely to cause confusion with ML MARK LEES for the same goods. Mighty Leaf Tea appealed.

On appeal, the Federal Circuit addressed Mighty Leaf Tea's argument that the TTAB erred in its analysis of the sixth *DuPont* likelihood of confusion factor—the number and nature of similar marks in use on similar goods. Mighty Leaf Tea contended that its evidence of third-party registrations and pending applications incorporating the letters "ML" for skin care products demonstrates that ML is a weak mark for these goods, and that consumers are used to looking to minor distinctions in marks that include the letters "ML." According to Mighty Leaf Tea, this evidence confirmed that confusion is unlikely to occur between its ML mark and the cited ML MARK LEES registered mark. In response, the TTAB stated that the mere presence of similar third-party registrations, without more, is of limited value to whether additional marks would lead to confusion in use. Mighty Leaf Tea did not provide evidence of the actual use of these third-party marks, merely contending that the cited registrations themselves established use since use in commerce is a prerequisite to registration.

"[T]he occurrence of two letters in longer words or strings does not of itself establish a 'common element,' for there was no evidence that the two letters 'ML' had any recognized meaning or significance within the longer strings." Slip op. at 7.

However, the Federal Circuit noted, the issue of likelihood of confusion requires more than just showing the *existence* of various marks. The PTO stated that Mighty Leaf Tea merely submitted a group of registrations that include "ML" as part of a longer letter string, and this indiscriminate citation without regard to the similarity of the marks was not indicative that the letters "ML" have a suggestive or descriptive connotation. Mighty Leaf Tea did not present any evidence to counter the TTAB's finding that the cited third-party marks were not similar enough to the ML mark. In arguing that there is a crowded field for the letters "ML," Mighty Leaf cited *In re Broadway Chicken, Inc*., 38 USPQ2d 1559, 1565-66 (TTAB 1996), in which the TTAB found that third-party use of the term BROADWAY was so common that consumers would distinguish applicant's BROADWAY CHICKEN from the cited registrations BROADWAY PIZZA and BROADWAY BAR & PIZZA. The Federal Circuit disagreed, adopting instead the PTO's finding that the letters "ML" in various strings of letters does not establish that "ML" is a common element, such as "Broadway," that has acquired an understood meaning. The Court "agree[d] that the occurrence of two letters in longer words or strings does not of itself establish a 'common element,' for there was no evidence that the two letters 'ML' had any recognized meaning or significance within the longer strings." Slip op. at 7. The Court thus denied Mighty Leaf Tea's argument that the TTAB did not give appropriate weight to its third-party evidence. Mighty Leaf Tea also challenged the TTAB's finding that the additional words MARK LEES in the cited registration did not serve to distinguish the registrant's mark from ML alone. The Federal Circuit rejected this argument, citing its own and the TTAB's precedent that the presence of an additional term in the mark does not necessarily eliminate the likelihood of confusion if some terms are identical. Here, the Court explained, the term ML is likely to be perceived as a shortened version of ML MARK LEES when used on identical or similar skin care products. These initials function as a dominant feature of the registered mark, and a newcomer's use of the same initials on the same goods would likely lead consumers to believe that the goods emanated from the same source. The Federal Circuit also noted that several other *DuPont* factors favored the TTAB's likelihood of confusion holding: the goods are quite similar, the channels of trade and purchasers are the same, and the fact that the goods are relatively low priced and do not require much consumer

sophistication at purchase. These findings, which Mighty Leaf Tea did not contest, provided additional support for the TTAB's conclusion. The Federal Circuit affirmed the TTAB's decision that consumer confusion is likely between the marks ML and ML MARK LEES when used on nearly identical goods.

Hatch-Waxman Counterclaim Provision Does Not Permit Generic Manufacturer to Challenge Use Code Applied to Pioneering Manufacturer's Orange Book Listed Patent

James A. Tartal

Judges: Rader (author), Clevenger (concurring), Dyk (dissenting)

[Appealed from E.D. Mich., Senior Judge Cohn]

In *Novo Nordisk A/S v. Caraco Pharmaceutical Laboratories, Ltd.*, No. 10-1001 (Fed. Cir. Apr. 14, 2010), the Federal Circuit reversed and vacated the district court's injunction ordering plaintiffs to replace the current Orange Book use code of a pharmaceutical product with its former use code listing.

Novo Nordisk A/S and Novo Nordisk, Inc. (collectively "Novo") market and distribute the drug repaglinide under the brand name Prandin® as an adjunct to diet and exercise to improve glycemic control in adults with type 2 diabetes (noninsulin dependent diabetes mellitus). The FDA has approved Prandin® for three uses: (1) repaglinide by itself (i.e., monotherapy); (2) repaglinide in combination with metformin; and (3) repaglinide in combination with thiazolidinediones ("TZDs").

As part of the NDA approval process, Novo identified two patents that claimed repaglinide or a method for its use: U.S. Patent No. RE 37,035 ("the '035 patent"), which is directed to the chemical composition of repaglinide; and U.S. Patent No. 6,677,358 ("the '358 patent"), which is directed to repaglinide in combination with metformin, one of the FDA-approved uses. Novo does not own patents claiming the other two approved methods of using repaglinide to treat type 2 diabetes.

To obtain approval from the FDA for the '358 patent, Novo was required to submit, in addition to the patent number and expiration date, a description, called a "use code narrative," of the claimed method of use of repaglinide. The FDA then assigned a unique number, known as a "use code," to that description for inclusion in the Orange Book. The FDA initially assigned the '358 patent the use code "U-546–Use of repaglinide in combination with metformin to lower blood glucose" and approved the Prandin® NDA.

In 2005, Caraco Pharmaceutical Laboratories, Ltd. ("Caraco") filed an ANDA to obtain approval to market generic repaglinide. As part of the ANDA process, Caraco was required under 21 U.S.C. § 355(j)(2)(A)(vii) to make a certification to the FDA addressing each patent identified in the Orange Book pertaining to Prandin®. Caraco initially provided a "Paragraph III" certification for the '035 patent stating

that the patent is set to expire on a certain date and a "Paragraph IV" certification for the '358 patent stating that the patent is invalid or will not be infringed by the manufacture, use, or sale of the generic drug. Novo initiated an infringement action against Caraco.

In 2008, Caraco stipulated that its ANDA would infringe the '358 patent if it included a label that discussed the combination of repaglinide and metformin. At around the same time, Caraco submitted an amended ANDA with a Paragraph IV certification for the '358 patent. Caraco also submitted, under 21 U.S.C. § 355(j)(2)(A)(viii), a "section viii statement" declaring that it was not seeking approval for the repaglinide-metformin combination therapy, but only approval for a use not covered by a method-of-use patent for repaglinide. Caraco also submitted a proposed "carve-out" label to the FDA that did not contain the patented method of using repaglinide.

When considering approval of requests for a use not covered by a patent, the FDA relies on the applicable patent's use code narrative to determine the scope of the patented method. "The FDA approves the section viii statement only where there is no overlap between the proposed carve-out label submitted by the generic manufacturer and the use code narrative submitted by the pioneering manufacturer." Slip op. at 4. Based on the use code originally assigned to the '358 patent in its Orange Book listing for Prandin®, U-546, the FDA initially indicated that it would approve Caraco's proposed carve-out label. Novo moved for reconsideration.

In 2009, as explained in Judge Dyk's concurring opinion, the FDA requested a change to the approved indications for Prandin®, which required Novo to use the FDA's new approved labeling. The change in labeling permitted Novo to revise its use code narrative for the '358 patent to match the new Prandin® indication. Based on Novo's revised use code narrative for the '358 patent, the FDA removed the use code U-546 from the Orange Book for Prandin® and replaced it with use code "U-968–A method for improving glycemic control in adults with type 2 diabetes mellitus." The new use code was no longer limited to repaglinide in combination with metformin. As a result, the FDA disallowed Caraco's section viii statement because its proposed carve-out label overlapped with the new use code U-968 for the '358 patent. The FDA also denied Novo's request for reconsideration as moot in light of the new use code. Caraco's current label now includes the repaglinide-metformin combination therapy.

In response, Caraco amended its answer and counterclaim in the ongoing infringement action. Caraco added a counterclaim under 21 U.S.C. § 355(j)(5)(C)(ii) and requested an order requiring Novo to change the use code for the '358 patent in reference to Prandin® from U-968 back to U-546. Caraco claimed that the use code U-968 was overbroad because it incorrectly suggested that the '358 patent covered all three approved methods of using repaglinide even though it claimed only one approved method. Caraco also added a patent misuse defense, asserting that Novo misrepresented the scope of the '358 patent in its use code narrative.

The district court granted Caraco's motion for SJ on the counterclaim and declined to address the patent misuse defense. The district court found that Novo had improperly filed an overbroad use code narrative for the '358 patent and entered an injunction requiring Novo to submit to the FDA an amended use code narrative that reinstates its former U-546 use code listing for Prandin®. Novo filed a motion for an expedited appeal. The Federal Circuit stayed the injunction pending disposition of the expedited appeal.

On appeal, the Federal Circuit first addressed whether the Hatch-Waxman Act authorized Caraco to assert a counterclaim seeking to reinstate the original use code listing for Prandin®. The Act authorizes

the generic manufacturer, Caraco, to assert a counterclaim "on the ground that the patent does not claim either (aa) the drug for which the application was approved; or (bb) an approved method of using the drug." *Id*. at 9 (emphases omitted) (citing 21 U.S.C. § 355(j)(5)(C)(ii)(I)). The Court found no ambiguity in the statutory language and concluded that, on its face, the Act authorizes a counterclaim "only if the listed patent does not claim any approved methods of using the listed drug." *Id*. at 10. The Court further examined the legislative history of the Act and confirmed that it does not contain any clear intent to the contrary.

"[T]he Hatch-Waxman Act authorizes a counterclaim only if the listed patent does not claim any approved methods of using the listed drug." Slip op. at 10.

There was no dispute that the '358 patent claims one of the three approved methods of using Prandin®. The Court also noted that, in the context of this case, the statutory language "an approved method of using the drug" cannot refer to the methods of using Caraco's generic drug, because the FDA has not yet approved Caraco's ANDA. The Court concluded that because the '358 patent asserted an approved method of use, Caraco was precluded from asserting a counterclaim under the Hatch-Waxman Act.

The Court further addressed the relationship between section viii and the counterclaim provision. The Court recognized that a broad use code covering all uses of a pharmaceutical could require generic manufacturers to prove, through a Paragraph IV lawsuit, that their use will not overlap with and infringe the patented use. The generic manufacturer will need to alleviate the risk of infringement or induced infringement in a proceeding that fully tests for infringement and its implications, including potential health and safety risks. The Court stated that requiring such a showing will ensure that a generic drug for nonpatented purposes will not be used for patented purposes via a simple section viii certification. The Court further noted that had it not been for the FDA's regulatory action, Caraco could have asserted in a Paragraph IV lawsuit that its proposed labeling did not infringe the '358 patent.

The Court also further addressed whether the Hatch-Waxman counterclaim provision authorizing an order compelling the patent holder to correct or delete the "patent information" submitted by the holder authorized an order compelling the patent holder to change its use code narrative. The Court found that the term "patent information" is defined under the Act as the patent number and the expiration date. The Court noted that although an FDA regulation appeared to include the use code narrative under the broad heading of "patent information," it did not change the meaning of the statutory use of the term "patent information." The Court stated that it owes no deference to agency interpretations at odds with the plain language of the statute itself, and found that the legislative history did not add any clarity to the meaning of "patent information." Moreover, in the Court's view, applying a broader definition of "patent information" would "upset the careful balance that requires a full resolution of the potential infringement issues involved in overlapping patented and unpatented uses." *Id*. at 14. The Court concluded that the counterclaim provision only authorizes suits to correct or delete an erroneous patent number or expiration date and does not extend to the use code narrative.

Finally, Caraco sought, in the alternative, affirmance of the district court's injunction under the doctrine of patent misuse. The Court noted that the district court expressly declined to address the doctrine of patent misuse, and declined to adjudicate the issue in the first instance. The Court reversed the district court's grant of SJ on Caraco's counterclaim and vacated the injunction ordering Novo to correct its use

code for the '358 patent listed in the Orange Book for Prandin®.

In a dissenting opinion, Judge Dyk found "the majority's crabbed view of the [Hatch-Waxman Act] sanctions an unjustified manipulation of the Orange Book." Dyk Dissent at 27. In Judge Dyk's view, the Act plainly contemplates that "patent information" includes information that describes the scope of the patent and that relates the patent to the drug or method of use, that all Orange Book information is "patent information," and that the FDA's regulatory interpretation of "patent information" is entitled to deference.

Judge Dyk also found that the change in labeling for Prandin® required by the FDA did not require Novo to revise its use code narrative and noted that Novo conceded at oral argument that the decision to change the use code was in part a response to the section viii ruling from the FDA concerning Caraco's proposed carve-out label. Judge Dyk concluded that the Court's decision "strikingly limits the [Hatch-Waxman] counterclaim provision with the consequence that, in all likelihood, the ANDA applicant is left without any remedy to correct an erroneous Orange Book listing with respect to a method of use patent" and suggests that this cannot be what Congress intended. *Id*.

May 2010

Board Claim Construction During Reexamination May Be Broad but Not Unreasonably Broad

Judy W. Chung

Judges: Rader (author), Prost, Moore

[Appealed from Board]

In *In re Suitco Surface, Inc.*, No. 09-1418 (Fed. Cir. Apr. 14, 2010), the Federal Circuit vacated-in-part, affirmed-in-part, and remanded the Board's rejection of certain claims of U.S. Patent No. 4,944,514 ("the '514 patent") as anticipated because the Federal Circuit found the Board's construction of "material for finishing the top surface of a floor" unreasonable. Substantial evidence, however, supported the Board's finding with respect to a second claim limitation.

Suitco Surface, Inc. ("Suitco") owns the '514 patent, which is directed to an improved "floor finishing material." A representative claim, claim 4, recites "an improved material for finishing [a] top surface of [a] floor," which includes, among other things, "at least one elongated sheet including a uniform flexible film of clear plastic material" and "a continuous layer of adhesive material." In 1996, in an infringement suit against 3M Company ("3M"), the district court construed the terms "material for finishing" and "uniform flexible film." Subsequently, 3M moved for, and the district court granted, SJ of noninfringement based on the "material for finishing" limitation. On appeal, the Federal Circuit vacated the district court's grant of SJ and remanded, finding the district court's construction of the term "material for finishing" unsupported by the specification or prosecution history of the '514 patent.

On remand, the district court again granted 3M's motion for SJ, this time based on the "uniform flexible film" limitation. The Federal Circuit again vacated and remanded, taking issue with the district court's construction of the term "uniform flexible film." After the second remand, the case was transferred to the Southern District of Iowa, which stayed the case after the PTO granted 3M's ex parte reexamination request. Subsequently, the examiner rejected claims 4-8 of the '514 patent as anticipated by U.S. Patent No. 3,785,102 to Amos ("Amos"), claims 4 and 6-8 as anticipated by U.S. Patent No. 4,543,765 to Barrett ("Barrett"), and claims 4-5 as anticipated by U.S. Patent No. 4,328,274 to Tarbutton. Amos teaches a floor-covering pad comprised of a plurality of plastic sheets connected by a plurality of adhesive layers. Barrett teaches the use of a clear plastic film connected to a floor with an adhesive layer.

“The broadest-construction rubric coupled with the term ‘comprising’ does not give the PTO an unfettered license to interpret claims to embrace anything remotely related to the claimed invention.” Slip op. at 8.

The Board affirmed the rejection of claim 4 of the ’514 patent in view of either Amos or Barrett and claim 8 of the ’514 patent in view of Amos. The Board construed the term “material for finishing the top surface of the floor” to mean “requiring a material that is structurally suitable for placement on the top surface of a floor,” and the term “uniform flexible film” to mean “including, for example, a flexible film having the same thickness throughout, as well as a flexible film having the same textured surface throughout.” Suitco appealed, challenging the Board’s construction of the term “material for finishing the top surface of the floor,” and asserting that Amos and Barrett do not show a “uniform flexible film” as construed by the Board.

On appeal, the Federal Circuit did not address whether the Board was bound by the Federal Circuit’s earlier interpretation of “material for finishing the top surface of the floor” because, even allowing the broadest reasonable construction, the Court found the Board’s construction unreasonably broad. Specifically, the Federal Circuit found that, under the Board’s construction, the “material for finishing” does not need to be the top-most layer on a surface to be finished. The Court, however, found that when read in the appropriate context of the claim language and specification, the broadest reasonable construction is “a clear, uniform layer on the top surface of a floor that is the *final* treatment or coating of a surface.” Slip op. at 9. The Court cautioned that “[t]he broadest-construction rubric coupled with the term ‘comprising’ does not give the PTO an unfettered license to interpret claims to embrace anything remotely related to the claimed invention.” *Id.* at 8. Because the Board based its rejection on its unreasonable construction, the Court remanded with instructions to conduct a new invalidity analysis using the appropriate construction.

Turning to the “uniform flexible film” limitation, the Federal Circuit disagreed with Suitco that neither Amos nor Barrett teaches a “uniform flexible film” as defined by the Board. In the Court’s view, while Amos and Barrett do not expressly use the word “uniform,” each reference discloses the claim element. The Court therefore found substantial evidence supporting the Board’s finding that both Amos and Barrett anticipate claim 4 of the ’514 patent. The Court declined to consider Suitco’s separate anticipation argument with regard to claim 6 because it was not before the Board and thus waived.

Invention Secrecy Act Provides No Relief to Patent Owners for Government Use of an Invention Subject to a Secrecy Order After Patent Issues

Elizabeth D. Ferrill

Judges: Michel, Rader (author), Folsom (Chief District Judge sitting by designation)

[Appealed from S.D. Cal., Judge Sammartino]

In *Hornback v. United States*, No. 09-1543 (Fed. Cir. Apr. 15, 2010), the Federal Circuit affirmed the district court's dismissal of the plaintiff's complaint for failure to state a claim. The Court held that the Invention Secrecy Act, 35 U.S.C. § 183, does not provide Mr. Hornback with a cause of action for the government's use of his invention, which was subject to a secrecy order, after the issuance of the patent on that invention.

Alton B. Hornback is the named inventor of U.S. Patent No. 6,079,666 ("the '666 patent"), titled "Real Time Boresight Error Slope Sensor." In 1986, Mr. Hornback filed his patent application. But in 1987, the United States Air Force classified the application as "secret," and the PTO imposed a secrecy order under 35 U.S.C. § 181. Shortly thereafter, the PTO issued a Notice of Allowability, but in view of the secrecy order, the PTO withheld the application from issue. In 1999, the government rescinded the secrecy order and the '666 patent finally issued in 2000.

Mr. Hornback filed suit seeking compensation under 35 U.S.C. § 183 for the government's use of his invention, both before and after his patent issued. First, the district court held that res judicata barred Mr. Hornback's claims for any government use that occurred on or before the '666 patent issued. Mr. Hornback did not challenge that ruling on appeal. Second, as to the government's use after the '666 patent issued, the district court granted the government's motion to dismiss, holding that under § 183, damages are recoverable for government use only during the pendency of a secrecy order.

On appeal, the Federal Circuit began by reviewing the Invention Secrecy Act, 35 U.S.C. §§ 181-188. Under the Act, if a government agency determines that the publication or disclosure of an invention described in an application for a patent would be detrimental to national security, the agency notifies the Commissioner. The Commissioner is required to issue a secrecy order, withholding publication of the application or the grant of the patent "for such period as the national interest requires." 35 U.S.C. § 181. When the agency notifies the PTO that disclosure of the invention is no longer deemed detrimental to national security, the Commissioner may rescind the secrecy order.

"'[U]se of the invention' in 35 U.S.C. § 183 [compensating applicants for 'use of the invention' by the government while the invention is subject to a secrecy order] does not include use of an invention after a patent for the invention has issued." Slip op. at 8.

Since the secrecy order delays issue of the patent, § 183 authorizes the applicant to seek "compensation for the damage caused by the order of secrecy and/or for the use of the invention by the Government, resulting from his disclosure." 35 U.S.C. § 183. The Federal Circuit noted that § 183 describes two avenues an applicant may follow to obtain relief. First, the applicant may apply for compensation directly from the agency that sought the imposition of the secrecy order, and if the applicant is unhappy with the award, the claimant may bring suit against the United States in district court or the United States Court of Federal Claims. Under this first avenue, applicants may apply for compensation from the agency "beginning at the date the applicant is notified that, except for [the secrecy order], his application is otherwise in condition for allowance . . . and ending six years after a patent is issued thereon." Slip op. at 4-5 (alterations in original) (quoting 35 U.S.C. § 183). Or second, under § 183, the applicant may bring suit in the Court of Federal Claims "for just compensation for the damage caused by reason of the order of secrecy and/or use by the Government of the invention resulting from his disclosure." *Id.* at 5 (quoting 35 U.S.C. § 183). In order to file suit without first seeking relief directly from the government department or agency, however, the claimant must wait until "after the date of issuance of [the] patent." *Id.* (alteration in original) (quoting 35 U.S.C. § 183).

The Federal Circuit stated that this appeal provided the first opportunity for the Court to consider whether the "use of the invention by the Government" language in § 183 includes "use of the invention" that occurred after the patent for the invention has issued. *Id*. Although the district court declared that this phrase only covers use during the pendency of a secrecy order, the Federal Circuit noted that the facts demonstrate that there can be a time lag—in this case, over a year—from when the PTO rescinds a secrecy order and when the patent actually issues. Because Mr. Hornback did not dispute that res judicata bared his claim for compensation as to that time period, the Court did not need to address whether § 183 might encompass use after a secrecy order is rescinded but before the patent issues.

Although the terms of § 183 are broadly stated, the Court stated that in interpreting the statute, it should not be guided by a single sentence but consider other relevant provisions of the law, its object, and policy. Accordingly, the Court looked to 28 U.S.C. § 1498, a closely related section enacted in 1918 that states that a patent owner shall file suit against the government in the Court of Federal Claims for government use of a patented invention. The Court noted that the language of § 1498 is mandatory, granting exclusive jurisdiction to the Court of Federal Claims. Since Congress enacted the Invention Secrecy Act in 1952, the Court presumed that Congress took the earlier § 1498 into account. Thus, absent modification to the Court of Federal Claims' exclusive jurisdiction, the Court held that the Invention Secrecy Act could not have established a remedy for claims insofar as they allege postissuance government use.

Finally, the Court noted that the six-year postissuance deadline to apply for compensation from an agency in § 183 stands in contrast to the six-year statute of limitations for patent infringement damages generally found in 35 U.S.C. § 286. If the Invention Secrecy Act had sought to make the agency route available for postissuance use, then the Court concluded that Congress would not have arbitrarily cut off the right to apply for compensation for such use after only six years postissuance rather than simply

adopting the six-year statute of limitations found in § 286. Instead, by cutting off the right to even apply for compensation at six years after the patent issues, it appeared to the Court that the Invention Secrecy Act only addressed recovery for the limited period of preissuance use. The Court dismissed Mr. Hornback's contention that the legislative history supported by argument, finding that the legislative history of the Invention Secrecy Act was ambiguous at best.

Accordingly, the Court concluded that "use of the invention" in 35 U.S.C. § 183 does not include use of an invention after a patent for the invention has issued. The Court explained that this interpretation was consistent with a 1981 holding of its predecessor, the United States Court of Customs and Patent Appeals, which noted in dicta that § 183 provides for damages in two situations: when the government wrongfully uses the patented device during the period of secrecy, and when the secrecy order itself causes damages. Finally, the Court noted that although its interpretation was inconsistent with a 1961 Second Circuit holding, it declined to follow that holding for the reasons stated in its opinion and to honor the holding of its predecessor court.

Thus, the Federal Circuit affirmed the district court's dismissal of Mr. Hornback's case for failure to state a claim.

May 2010

Nonuse of Mark for Nearly Eight Years Does Not Constitute Abandonment Where Owner Produced Substantial Evidence of Intent to Resume Use During That Period

Stephanie H. Bald

Judges: Newman, Rader (author), Bryson

[Appealed from TTAB]

In *The Crash Dummy Movie, LLC v. Mattel, Inc.*, No. 09-1239 (Fed. Cir. Apr. 16, 2010), the Federal Circuit affirmed the TTAB's decision finding that Mattel, Inc.'s ("Mattel") nonuse of the CRASH DUMMIES and THE INCREDIBLE CRASH DUMMIES marks (collectively "CRASH DUMMIES marks") for nearly eight years did not constitute abandonment where Mattel produced substantial evidence of its intent to resume use of the marks during that period of nonuse.

Mattel's predecessor-in-interest, Tyco Industries, Inc. ("Tyco"), began using the CRASH DUMMIES marks in 1991, obtained federal registrations for those marks in 1993, and sold toys under those marks through at least 1994. Tyco also entered into a number of licenses for use of the CRASH DUMMIES marks, which expired on December 31, 1995. In the mid-1990s, Tyco experienced financial difficulties, and on February 12, 1997, Tyco assigned its trademark portfolio, including the CRASH DUMMIES marks, to Mattel. On February 13, 1998, Mattel recorded Tyco's assignment for the CRASH DUMMIES marks with the PTO.

In 1998, KB Toys approached Mattel about becoming the exclusive retailer of CRASH DUMMIES toys, but Mattel declined the offer because it needed to retool Tyco's CRASH DUMMIES toys to meet its stringent safety standards and the costs associated with retooling were too significant, given KB Toys' sales projections at the time. In 2000, Mattel began brainstorming ideas for a new line of toys under the CRASH DUMMIES marks, researched and tested the new toys as early as 2001, obtained concept approval by 2002, began manufacturing the new toys in October 2003, and reintroduced them into the market in December 2003. During this time, the PTO cancelled the registrations for the CRASH DUMMIES marks owned by Mattel for failure to file a Section 8 Declaration of Use.

"[C]ancellation of a trademark registration does not necessarily translate into abandonment of common law trademark rights. Nor does it establish its owner's lack of intent to use the mark." Slip op. at 5-6.

On March 31, 2003, The Crash Dummy Movie, LLC ("CDM") filed an intent-to-use application for the mark CRASH DUMMIES for games and playthings. Mattel opposed CDM's application on the grounds of priority and likelihood of confusion. CDM conceded that the parties' marks were confusingly similar, so the only issue before the TTAB was whether Mattel could establish prior rights in its CRASH DUMMIES marks. The TTAB found a prima facie case of abandonment by Mattel of the CRASH DUMMIES marks based on three years of nonuse, beginning at the earliest on December 31, 1995, and ending at Mattel's actual shipment of the CRASH DUMMIES toys in December 2003. The TTAB concluded, however, that Mattel had rebutted the presumption of abandonment by showing "reasonable grounds for the suspension and plans to resume use in the reasonably foreseeable future when the conditions requiring suspension abate." Slip op. at 3-4. CDM appealed the TTAB's decision sustaining Mattel's opposition.

The Federal Circuit found that substantial evidence supported the TTAB's finding that Mattel intended to resume use of the CRASH DUMMIES marks during the relevant time period of nonuse (December 31, 1995, to December 2003). Specifically, the Federal Circuit found that there was no evidence that Mattel rejected the business opportunity with KB Toys in 1998 because it had decided to abandon its marks. Rather, Mattel did so because of the high cost of retooling Tyco's product line to meet Mattel's safety standards. Second, Mattel would not have recorded Tyco's trademark assignment with the PTO in 1998 unless it intended to use the CRASH DUMMIES marks in the foreseeable future. Third, the cancellation of Mattel's registrations for the CRASH DUMMIES marks did not establish Mattel's lack of intent to use those marks. Finally, the Federal Circuit concluded that Mattel's research and development efforts from 2000 to 2003 showed its intent to resume use of the marks. Accordingly, the Federal Circuit held that the TTAB correctly found that Mattel had not abandoned its trademark rights, and, therefore, CDM was not entitled to registration of the CRASH DUMMIES mark.

Finding of Noninfringement Affirmed Where Allegedly Subversive Arguments Made at Trial Did Not Subvert the Jury's Reason or Commitment to Decide the Issues on the Evidence Received and the Law as Given

Louis L. Campbell

Judges: Mayer, Linn (author), Prost

[Appealed from E.D. Va., Senior Judge Hilton]

In *Verizon Services Corp. v. Cox Fibernet Virginia, Inc.*, Nos. 09-1086, -1098 (Fed. Cir. Apr. 16, 2010), the Federal Circuit affirmed the district court's rulings on the issues of infringement and validity of Verizon Services Corp., Verizon Communications, Inc., MCI Communications, Inc., and Verizon Business Global LLC's (collectively "Verizon") patents.

Verizon sued Cox Fibernet Virginia, Inc., Cox Virginia Telecom, Inc., Cox Communications Hampton Roads, LLC, Coxcom, Inc., and Cox Communications, Inc. (collectively "Cox") for infringement of U.S. Patent Nos. 6,282,574 ("the '574 patent"), 6,104,711 ("the '711 patent"), 6,430,275 ("the '275 patent"), 6,292,481 ("the '481 patent"), 6,137,869 ("the '869 patent"), and 6,636,597 ("the '597 patent"). The six patents relate generally to packet-switched telephony—technology for providing telephone calls by breaking up voice signals and sending the resulting data in packets, not all of which traverse the same path through a network. The Court divided the patents into three groups: the '711 and '574 patents (the "Feature Patents"), the '275, '869, and '481 patents (the "Network Patents"), and the '597 patent (the "Quality of Service Patent"). None of the claims in any of the patents referred explicitly to the Internet or to a "public packet data network," which the Federal Circuit had previously equated to the Internet in *Verizon Services Corp. v. Vonage Holdings Corp.*, 503 F.3d 1295, 1305 (Fed. Cir. 2007). Instead, the asserted claims referred to "packet switched networks," "circuit switched networks," and a "system of interlinked packet data networks."

In 2008, Verizon sued Cox for infringement of all six patents. After a jury verdict, finding all six patents not infringed, the Feature Patents invalid, and the Network Patents and the Quality of Service Patent valid, the district court denied cross motions for JMOL or a new trial and entered final judgment for Cox.

On appeal, the Federal Circuit first addressed Verizon's argument that the jury verdicts of noninfringement and invalidity should be vacated because Cox made arguments to the jury about claim scope that subverted the jury's ability to fairly decide the issues before it. Specifically, Verizon alleged

that Cox and its experts argued that the scope of the asserted claims was limited by the intent of the inventors and invited the jury to limit the claims to the Internet. Verizon framed its challenge as a claim construction issue governed by *O2 Micro International Ltd. v. Beyond Innovation Technology Co.*, 521 F.3d 1351 (Fed. Cir. 2007). The Court, however, distinguished *O2 Micro*, in which the scope of a specific claim term was in dispute beginning at the *Markman* hearing and continuing throughout the trial. Here, the Court found that at no time did Verizon identify any specific claim term that was misconstrued or that needed further construction. Moreover, the Court found that Cox's allegedly improper arguments did not relate to any particular misconstrued term or invite the jury to choose between alternative meanings of technical terms or words of art or to decide the meaning of a particular claim term, as was the case in *O2 Micro*. The Court concluded that Cox instead made the arguments to distinguish its accused system and to rebut the charge of willful infringement by showing Cox's understanding of the scope of Verizon's patents at the time Cox developed the accused system.

"We cannot say that the singular or cumulative effect of these statements effectively subverted the jury's reason or commitment to decide the issues on the evidence received and the law as given by the court." Slip op. at 13.

While Verizon attempted to characterize the issue as one of claim construction, in the Court's view, it was more accurately about whether Cox's arguments to the jury were improper and offered the jury "appealingly simplifying ways to determine invalidity and infringement," thus "invit[ing] the jury to shirk its key factfinding function." Slip op. at 12 (alteration in original) (quoting Verizon's Principal Br. 28-29). On this issue, the Federal Circuit applied Fourth Circuit law, which finds abuse of discretion in declining to set aside a verdict only when there is a reasonable probability that improper arguments effectively subverted "the jury's reason or . . . its commitment to decide the issues on the evidence received and the law as given it by the trial court." *Id*. at 13 (citing *Arnold v. E. Airlines, Inc.*, 681 F.2d 186, 197 (4th Cir. 1982)). Here, Verizon admitted that each of the statements made by Cox was not necessarily objectionable on its own, but argued that, taken together, the statements prejudiced the jury deliberations.

The Federal Circuit disagreed. Indeed, the Court found that the district court specifically instructed the jury that counsel's arguments and statements were not evidence. In addition, Verizon did not, during the trial, request a limiting instruction based on Cox's allegedly improper claim scope arguments. Nor did Verizon object to any arguments made during Cox's closing. Finally, Verizon had the opportunity during closing arguments to rebut any improper or misleading statements it perceived in Cox's closing arguments, but did not do so. Looking at the entire record, the Court saw no reason to conclude that the district court abused its discretion in finding that the jury had not been deprived of its ability to decide this case.

The Federal Circuit next addressed the denial of JMOL motions regarding validity and invalidity. Verizon argued that the district court erred by allowing the jury to consider whether one prior art reference incorporated another by reference and anticipated the asserted claims. The Court held that, while it is the role of the court, not the jury, to determine whether a prior art reference incorporated another reference, the error was harmless here as the jury was presented with sufficient evidence to find the asserted claims were anticipated by other unitary references. With regard to the obviousness of combining the two references that were allegedly incorporated by reference, Verizon argued that Cox's expert testified regarding obviousness using the wrong field of art—"Internet and network protocols"—instead of the "telephone and wireless communications" field of art correctly defined in the jury

instructions. The Federal Circuit held that this difference did not matter because the relevant art contained the field of "Internet and network protocols" that Cox's expert addressed.

The Federal Circuit turned next to Verizon's argument for a new trial on the Feature Patents. Relying on *Zenith Electronics Corp v. PDI Communication Systems, Inc.*, 522 F.3d 1348, 1363 (Fed. Cir. 2008), which held that "anticipation cannot be proved by merely establishing that one 'practices the prior art,'" Verizon argued that it was entitled to a new trial because Cox had argued that the jury could find the patents invalid simply because they were identical in all material respects to what was taught in prior art references. The Court distinguished *Zenith*, finding that, in this case, Cox provided detailed expert testimony showing how the prior art disclosed each of the claim elements. Thus, a reasonable jury could conclude, based on evidence in the record and separate and apart from any alleged "practicing the prior art" argument, that the patents were invalid.

The Court also considered Cox's argument for a new trial on the validity of the Network Patents and the Quality of Service Patent. Cox argued that the district court improperly excluded testimony of two named inventors of Verizon's patents. The Court held that the district court did not abuse its discretion because it allowed testimony from the witnesses about the patents they invented based on their personal knowledge and properly excluded these same witnesses from providing expert testimony on invalidity for which they had not previously provided expert reports or been qualified as an expert.

The Federal Circuit turned next to Verizon's arguments regarding infringement. First, the Court rejected Verizon's argument for a new trial on the '481 patent, holding that both parties presented evidence regarding infringement and there was a factual dispute between the experts over whether the accused products practiced two claim elements. These disputes were factual disputes that were proper for the jury to decide. Second, the Federal Circuit denied Verizon's argument that it was entitled to a new trial on the Quality of Service Patent because of a faulty construction of one claim element. The Federal Circuit held that the jury had substantial evidence to find the '481 patent was not infringed regardless of whether the district court correctly construed that one claim element.

May 2010

Incorporation by Reference Statement Sufficiently Identified the Incorporated Material

Amelia F. Baur

Judges: Bryson, Archer, Prost (author)

[Appealed from Board]

In *Harari v. Hollmer*, No. 09-1406 (Fed. Cir. Apr. 19, 2010), the Federal Circuit reversed the Board's dismissal of Eliyahou Harari from an interference, finding that Harari's claims were adequately supported by the specification as-filed because a contested incorporation by reference statement was adequate to incorporate an earlier filed priority application by reference.

The disputed application, U.S. Patent Application No. 09/310,880 ("the '880 application") claims priority to a chain of patent applications, beginning with U.S. Patent Application No. 07/337,566 ("the '566 application"). The '566 application contains the incorporation by reference statement as follows:

> They are copending U.S. patent applications, Serial No. 204,175, filed June 8, 1988, by Dr. Eliyahou Harari and one entitled "Multistate EEprom Read and Write Circuits and Techniques," filed on the same day as the present application, by Sanjay Mehrotra and Dr. Eliyahou Harari. The disclosures of the two applications are hereby incorporated by reference.

Slip op. at 2. A preliminary amendment filed with the '880 application requested that this paragraph be amended to delete the "same day as the present application" language, and instead refer to the application by serial number and filing date (U.S. Patent Application No. 07/337,579 ("the '579 application")). The preliminary amendment also requested that several paragraphs of text and the drawing sheets from the '579 application be copied into the '880 application, and added new claims that were supported, at least in part, by the '579 application. The Board held that one could not tell from the original disclosure whether the incorporation language referred to an application filed on the same day as the '566 application or on the same day as the '880 application, concluding that the incorporation language was so confusing that it could not support the insertion of information from the '579 application into the '880 disclosure.

On appeal, the Federal Circuit held that the '880 application adequately incorporated the '579 application

by reference. The Court found that the Board failed to compare the content of the preliminary amendment against the initial parent application. For example, at the time the '566 application was filed, the copending and simultaneously filed '579 application had not yet been assigned a serial number or awarded a filing date. Thus, the title of the application, the named inventors, and the fact that the application was filed on the same day as the '566 application constituted all of the identifying information available to the drafter of the '566 application. This information was sufficient to unambiguously identify and incorporate by reference the disclosure of the '579 application into the disclosure of the '566 application. The Court found that the preliminary amendment filed in the '880 application, which contained only content directly cut and pasted from the '579 application, did not contain new matter compared to the initial parent application. When properly entered, the preliminary amendment revised the disputed "present application" language of the incorporation by reference statement, resolving any alleged confusion.

"It is not inappropriate for an application to identify for the purposes of incorporation by reference a co-pending application by title, inventors, and a context-specific filing date, where such information is sufficient to identify the application at the time the information is presented." Slip op. at 9.

The Court also found that the Board applied the wrong standard for determining that the incorporation language was confusing. The disputed continuation application was at the initial stage of filing, where the examiner is first presented with an original disclosure and a preliminary amendment. The Court held that the proper standard by which to evaluate the sufficiency of incorporation by reference language, at this stage of the proceedings, is whether the identity of the incorporated reference is clear to a reasonable examiner in light of the documents presented. The Court noted, however, that "if we were determining the validity of an issued patent containing the disputed incorporation by reference statement, 'filed on the same day as the present application,' where that language actually refers to an application other than the one issued, then we would be concerned with whether one of ordinary skill in the art could identify the information incorporated. The present case, however, does not involve an issued patent or language that is intended to appear in an issued patent. Thus the proper lens though which to view the disputed language is that which is ascertainable to a reasonable examiner." Slip op. at 7 n.2.

The Court concluded that "[i]t is appropriate for an application to identify for the purposes of incorporation by reference a co-pending application by title, inventors, and a context-specific filing date, where such information is sufficient to identify the application at the time the information is presented." *Id*. at 9. It is not new matter, and indeed it is strongly encouraged, to later amend the identifying language to recite a serial number and filing date, when that information becomes available. The Court found that it makes no difference that the clarifying amendment was made for the first time by a preliminary amendment to a continuation application rather than during prosecution of the now abandoned initial parent application because no reasonable examiner would be confused as to what document was being identified in the incorporation by reference statement. Nor would he be unable to determine on the merits whether the newly presented claims were supported by the originally filed ('566 application) disclosure. Accordingly, the Court reversed the Board's decision and remanded the case for further proceedings consistent with its opinion.

May 2010

Trade Secret Claim Barred by Statute of Limitations; Inventorship Claim Not Necessarily Barred by Res Judicata

Christopher K. Agrawal

Judges: Linn, Plager, Dyk (author)

[Appealed from N.D. Tex., Judge McBryde]

In *Gillig v. Nike, Inc.*, No. 09-1415 (Fed. Cir. Apr. 20, 2010), the Federal Circuit affirmed the district court's dismissal of plaintiffs' trade secrets claim as barred by the statute of limitations. The Federal Circuit however reversed and remanded the district court's dismissal of plaintiffs' inventorship claims as barred by res judicata.

In 2004, Triple Tee Golf, Inc. ("Triple Tee") brought a first suit against Nike, Inc. ("Nike") for alleged misappropriation of Triple Tee's golf club-related trade secrets. That suit was dismissed due to Triple Tee's lack of standing, despite Triple Tee's argument that it had acquired all of its rights in the trade secrets from its principal, John P. Gillig, in January 2000. In 2008, Triple Tee again brought suit against Nike, this time with Gillig as coplaintiff. In this suit, Triple Tee and Gillig also asserted correction of inventorship claims under 35 U.S.C. § 256. The district court held that it had already dismissed the first suit for lack of standing and on the merits, and therefore dismissed the second suit, concluding that the trade secret claims were barred by the statute of limitations and res judicata, and that the inventorship claims were also barred by res judicata, since they arose from the same nucleus of operative facts as the trade secret claims.

On appeal, the Federal Circuit applied Texas state law for the misappropriation of trade secrets, which includes a three-year statute of limitations. Triple Tee argued that the statute of limitations period tolled during the first Triple Tee suit, which was filed within three years of Gillig's alleged discovery of the misappropriation in February 2003. The Federal Circuit disagreed, finding that, under Texas law, a statute of limitations may be tolled for a second cause of action where the first action is a predicate action, in which the second cause of action is contingent on the first action's determination of rights. The Court, however, found no predicate action and concluded that equitable tolling should not be invoked because "[Triple Tee] made a calculated decision to pursue this action in its own name with knowledge that it had not received from Gillig an assignment of whatever rights Gillig acquired through his dealings with [Nike] in September 2000." Slip op. at 8 (first alteration in original). As a result, the Federal Circuit affirmed the district court's holding that Triple Tee and Gillig's trade secret claims were properly barred by

the Texas statute of limitations.

"To the extent that the dismissal in the original action was for lack of standing, there is no res judicata bar to a second action by a party with proper standing, but only a bar to another action by the same party alleging the same basis for standing . . . ." Slip op. at 10.

With regard to res judicata, the Federal Circuit held that the inventorship claims would be barred only to the extent that the trade secret claims were properly barred, since both issues arose from a common nucleus of operative facts. The district court had purportedly dismissed the trade secret claims for lack of standing, as well as on the merits, since Triple Tee's lack of full ownership was a failed element of the trade secret cause of action. On appeal, the Federal Circuit held that, to the extent that the dismissal in the original action was for lack of standing, there is no res judicata bar to a second action by a party with proper standing. The Court held that such a case would only bar another action by the same party alleging the same basis for standing, which would preclude Triple Tee's claim of standing based on the purported assignment of rights in 2000.

The Court also held that an inventorship claim by Gillig would not be barred by res judicata even if an inventorship claim by Triple Tee had been barred, because "[d]ismissal on the ground that the plaintiff is not the real party in interest should not preclude a later action by the real party in interest." *Id*. at 11 (alteration in original) (quoting 18A Charles Alan Wright et al., *Federal Practice and Procedure* § 4388 (2d ed. 2002)). Since the only issue determined by the district court was the failure of the alleged assignment from Gillig to Triple Tee in 2000, the Court concluded that neither collateral estoppel nor res judicata would bar Gillig from pursuing his inventorship claims.

Finally, the Court held that even though Triple Tee would be barred from reasserting inventorship claims based on its alleged assignment of rights in 2000, which was already decided by the district court, Triple Tee might not be barred from asserting inventorship claims based on a later 2005 assignment that had not been addressed by the district court. The Federal Circuit held that the district court was incorrect in deciding that the later 2005 assignment could not retroactively resolve the standing issue in the first Triple Tee suit because, in fact, "the *res judicata* doctrine does not apply to new rights acquired during the action which might have been, but which were not, litigated." *Id.* at 13 (citing *Computer Assocs. Int'l, Inc. v. Altai, Inc.*, 126 F.3d 365, 370 (2d Cir. 1997)). Res judicata, therefore, would also not apply to bar any claim by Triple Tee based on rights that accrued after an action that did not decide such claims.

May 2010

Federal Circuit Jurisdiction Requires Resolution of a Patent Law Issue as a Theory of Relief

Cecilia Peniza

Judges: Bryson (author), Archer, Prost

[Appealed from S.D. Fla., Judge Huck]

In *ClearPlay, Inc. v. Abecassis*, No. 09-1471 (Fed. Cir. Apr. 21, 2010), the Federal Circuit held that it lacked appellate jurisdiction over a case relating to a dispute stemming from the parties' license agreement, and transferred the case to the U.S. Court of Appeals for the Eleventh Circuit.

Nissim Corp. and Max Abecassis (collectively "Nissim") accused ClearPlay, Inc. ("ClearPlay") of infringing its patents relating to systems for filtering objectionable content from video media. As part of their settlement of the lawsuit, the parties entered into a license agreement allowing ClearPlay to distribute its accused products upon payment of royalties to Nissim. After the parties entered into the license agreement, Nissim claimed that ClearPlay violated the agreement, and filed a motion to enforce the agreement in the same district court in which the parties brought the patent action. Meanwhile, Nissim informed retailers selling ClearPlay's products that those devices were not licensed and that the retailers' continued sales of those products could constitute patent infringement.

Citing diversity of citizenship, ClearPlay then sued Nissim in the same district court for tortious interference with a contractual relationship, tortious interference with potential advantageous business relationships, breach of the license agreement, breach of the covenant of good faith and fair dealing, and violation of Florida's Deceptive and Unfair Trade Practices Act. ClearPlay also sought a preliminary injunction barring Nissim from breaching the license agreement by denying its validity and enforceability. The district court agreed with ClearPlay, found the agreement valid, and entered a preliminary injunction against Nissim, ordering that neither Nissim nor its agents shall "suggest or state to potential retailers, purchasers, or manufacturers of ClearPlay's products that this Court has held that the License Agreement between ClearPlay and Nissim is terminated." Slip op. at 4. Nissim appealed the preliminary injunction order.

ClearPlay argued that the Federal Circuit lacked jurisdiction over the appeal and that it belonged to the Eleventh Circuit. Nissim responded that the Court had jurisdiction because the dispute raised issues of patent law.

The Federal Circuit explained that its jurisdiction over appeals from district courts is based on 28 U.S.C. § 1295(a), which provides that the Federal Circuit has jurisdiction over an appeal from a final decision of a district court "if the jurisdiction of that court was based, in whole or in part, on section 1338" of title 28. Section 1338 gives district courts original jurisdiction of "any civil action arising under any Act of Congress relating to patents." 28 U.S.C. § 1338(a). Quoting *Christianson v. Colt Industries Operating Corp.*, 486 U.S. 800 (1988), the Federal Circuit explained that § 1338 jurisdiction extends to cases where the complaint establishes "[1] that federal patent law creates the cause of action or [2] that the plaintiff's right to relief necessarily depends on resolution of a substantial question of federal patent law." Slip op. at 5.

"It is not enough that patent law issues are in the air." Slip op. at 10.

The Federal Circuit found none of the parts of the *Christianson* test satisfied in this case. First, ClearPlay's second amended complaint, which was before the district court when the preliminary injunction order was entered and appealed, was entirely devoted to state law causes of action. Second, none of the plaintiff's claims turned on an issue of federal patent law. ClearPlay's complaint raised six state law claims: three counts of tortious interference with a contractual relationship between ClearPlay and various retailers and clients; one count of breach of the license agreement; one count of breach of the covenant of good faith and fair dealing; and one count of violation of Florida's Deceptive and Unfair Trade Practices Act by entering into the license agreement in bad faith, seeking to disrupt ClearPlay's relationships with its business partners, and threatening its business partners with patent infringement suits.

The Federal Circuit found that none of these claims necessarily turned on an issue of patent law. According to the Court, the breach of contract claim and related claim of breach of the covenant of good faith and fair dealing did not require resolution of a patent law issue, but rather turned on the parties' conduct and obligations under the agreement. Similarly, the Court explained that the three tortious interference claims alleged at least one theory of relief that would not require the Court to address any patent law issue. Nissim argued that its allegedly false assertions that ClearPlay's products were unlicensed would constitute meaningful threats only if the products infringed Nissim's patent. The Federal Circuit explained, however, that if ClearPlay could prove its allegations that Nissim falsely represented that ClearPlay's products were unlicensed, those representations could be actionable regardless of whether the products fell within the scope of Nissim's patent. Lastly, the Federal Circuit found that the claim of a violation of Florida's Deceptive and Unfair Trade Practices Act asserted theories of liability that did not require resolution of a patent law issue.

Nissim argued that the dispute between the parties was founded on patent infringement, and the claims in ClearPlay's complaint stemmed from that dispute. The Federal Circuit, however, explained that "[i]t is not enough that patent law issues are in the air. Instead, resolution of a patent law issue must be necessary to every theory of relief under at least one claim in the plaintiff's complaint. And that is not so in this case." *Id*. at 10. Consequently, the Federal Circuit held it did not have jurisdiction over the appeal, and transferred the case to the Eleventh Circuit.

Ordinary Skill Cannot Substitute for Disclosure of an Invention's Novel Aspects to Satisfy the Enablement Requirement

Adam M. Breier

Judges: Dyk, Schall, Prost (author)

[Appealed from D. Del., Judge Farnan]

In *ALZA Corp. v. Andrx Pharmaceuticals, LLC*, No. 09-1350 (Fed. Cir. Apr. 26, 2010), the Federal Circuit affirmed the district court's ruling that the asserted claims of U.S. Patent No. 6,919,373 ("the '373 patent") were invalid for lack of enablement.

The '373 patent claims methods for treating primarily Attention Deficit and Hyperactivity Disorder ("ADHD") through a methylphenidate ("MPH") drug dosage form that has an ascending release rate over an extended period of time. Before the claimed invention, ADHD had been treated with other oral drugs that were immediate-release ("IR") formulations of MPH. At the time of the invention, it was well known how to develop sustained-release dosage forms that could exhibit descending or ascending release rates.

ALZA Corporation ("ALZA") developed safe and effective once-a-day extended release oral dosage forms that could deliver MPH with an ascending release pattern. The bulk of ALZA's efforts went into developing an osmotic dosage form, which used a compartment containing drug and various osmotic excipients. Claim 1, the only independent claim implicated on appeal, recites administering a dosage form that provides a release of MPH at "an ascending release rate over an extended period of time." The specification focuses on how osmotic systems can be adapted to create an ascending release dosage form to treat ADHD. The specification also mentions nonosmotic dosage forms.

ALZA markets and sells a product called CONCERTA®, which embodies the claimed invention; upon ingestion, it releases the drug at an ascending rate for an extended period of time, as required by claim 1. ALZA's competitors, Andrx Pharmaceuticals, LLC and Andrx Corporation (collectively "Andrx"), produce a product pursuant to an approved ANDA. Like CONCERTA®, Andrx's product has an outer IR coating around a sustained-release inner core.

ALZA sued Andrx, alleging infringement of the '373 patent. Andrx denied infringement and asserted affirmative defenses, including invalidity for lack of enablement. The district court construed the claim to

include nonosmotic as well as osmotic dosage forms, as ALZA requested. The asserted claims were held nonobvious but not infringed and invalid for lack of enablement because the specification does not enable the full scope of claim 1.

On appeal, ALZA argued that the district court erred in finding claim 1 invalid for lack of enablement. The parties agreed that the claim construction adopted by the district court required the enablement of both osmotic and nonosmotic dosage forms, and that osmotic dosage forms were enabled. The dispute was whether the specification would have enabled a person of ordinary skill in the art to create nonosmotic oral dosage forms (e.g., tablets and capsules) with ascending release rates without undue experimentation.

ALZA asserted that creating nonosmotic dosage forms and manipulating their release rates were well known to a person of ordinary skill in the art at the time the '373 patent application was filed. In addition, ALZA argued that the specification provides sufficient guidance regarding nonosmotic dosage forms because it identifies a variety of suitable nonosmotic dosage forms and cites to a portion of a standard text to explain how to make and use such nonosmotic, sustained-release dosage forms with experimentation. ALZA conceded that even with the guidance provided in the specification, a person of ordinary skill in the art would be required to engage in an iterative, trial-and-error process to practice the claimed invention. However, it disputed that the amount of experimentation required was undue. Instead, ALZA argued that nonosmotic dosage forms with ascending release rates could be made with only routine effort by those skilled in the art, because the methods and materials used to produce dosage forms with constant, descending, or ascending release rate profiles were essentially the same and well known.

Andrx disputed ALZA's contention that enablement can be satisfied by referring to what persons of ordinary skill would know because what one of the proper skill in the art knows cannot substitute for disclosure of novel aspects of the invention, i.e., the nonosmotic dosage forms exhibiting ascending release rates. Further, Andrx argued that the evidence presented at trial indicated that even one skilled in the art would find it difficult to develop a nonosmotic dosage form exhibiting an ascending release rate, particularly in light of the sparse guidance provided in the specification. Andrx pointed to three *Wands* factors in particular—the guidance provided by the specification, the presence or absence of working embodiments, and the breadth of the claims—and submitted that they strongly weigh in favor of a finding that creating nonosmotic dosage forms with ascending release rates requires undue experimentation.

"To satisfy the plain language of § 112, ¶ 1, ALZA was required to provide an adequate enabling disclosure in the specification; it cannot simply rely on the knowledge of a person of ordinary skill to serve as a substitute for the missing information in the specification." Slip op. at 10.

The Federal Circuit held that the asserted claims were not enabled, and that there was no clear error in the district court's finding that seven of the eight *Wands* factors weighed in favor of a finding that undue experimentation would be required to enable the full scope of the claims. First, the Court explained, the specification of the '373 patent only describes osmotic dosage forms and does not provide sufficient guidance for a person of ordinary skill in the art to make the nonosmotic dosage forms as claimed. The rule that a specification need not disclose what is well known in the art is merely a rule of supplementation, not a substitute for a basic enabling disclosure. "To satisfy the plain language of § 112,

¶ 1, ALZA was required to provide an adequate enabling disclosure in the specification; it cannot simply rely on the knowledge of a person of ordinary skill to serve as a substitute for the missing information in the specification." Slip op. at 10.

In arguing that the disclosure in the '373 patent specification does enable a person of ordinary skill to make and use the claimed dosage forms, ALZA directed the Court to ten lines of the specification, which mention nonosmotics and refer to a textbook discussing how to make and use various types of nonosmotic sustained-release dosage forms. However, the Court concluded that this disclosure provided no guidance as to how to achieve ascending release with nonosmotic oral dosage forms, and that undue experimentation was required because there was no disclosure of any specific starting material or any condition under which a process can be carried out.

The Federal Circuit noted that ALZA even conceded that a person of ordinary skill in the art would have been required to engage in an iterative, trial-and-error process to practice the claimed invention, even with the help of the specification. Furthermore, because the field of ascending release dosage forms was not mature at the time the '373 patent was filed and was a "breakaway" from the prior art, the preparation of such dosage forms was not routine.

ALZA relied heavily on the testimony of its expert witness, who explained that the experimentation required here was merely routine. The Court noted that less weight was given to this testimony because it was based on a higher level of skill than the one the district court adopted. The expert did not contend that the specification would enable a person at the level of skill that the district court adopted. There was also contradictory testimony from two of ALZA's own employees, who explained that despite its efforts, ALZA had been unable to develop these purported "routine" nonosmotic dosage forms with ascending release rates, and that even development of the osmotic form had been difficult.

The Federal Circuit noted the irony that ALZA argued to the district court that the claims encompassed both osmotic and nonosmotic dosage forms, when the specification does not enable that full scope. The Court did not address ALZA's argument that the district court erred in its claim construction of a separate term, because the claims would be invalid under any reasonable construction. The Court also did not reach Andrx's argument that, in the alternative, the claims were invalid as obvious under 35 U.S.C. § 103.

Absent Misrepresentation, a Party May Rely on a Favorable JMOL Determination and Jury Verdict as Objective Evidence That Its Infringement Claims Are Not Frivolous

Michel E. Souaya

Judges: Newman, Lourie (concurring), Bryson (author)

[Appealed from D. Colo., Judge Matsch]

In *Medtronic Navigation, Inc. v. BrainLAB Medizinische Computersysteme GmbH*, Nos. 09-1058, -1059 (Fed. Cir. Apr. 26, 2010), the Federal Circuit reversed the district court's grant of attorney fees against Medtronic Navigation, Inc. ("Medtronic") under 35 U.S.C. § 285 based on its continued efforts to pursue the case after an adverse claim construction decision, and alleged litigation misconduct. The Court also reversed the decision to hold Medtronic's counsel jointly liable for the attorney fees under 28 U.S.C. § 1927 and its inherent powers.

In 1998, plaintiff Medtronic brought a patent infringement action against BrainLAB Medizinische Computersysteme GmbH ("BrainLAB"). Medtronic alleged infringement of U.S. Patent Nos. 4,722,056 ("the '056 patent"), 5,383,454 ("the '454 patent"), 5,389,101 ("the '101 patent"), and 5,603,318 ("the '318 patent"), directed to systems for tracking the location of surgical equipment in a patient's body during surgery. The district court denied BrainLAB's motions for SJ, and the jury returned a verdict for Medtronic, finding that BrainLAB had infringed the '454 and '056 patents under the DOE and the '101 and '318 patents both literally and under the DOE. After trial, the district court granted BrainLAB's Rule 50(b) motions for JMOL and entered judgment of noninfringement as to all four patents. On appeal, the Federal Circuit affirmed the ruling on essentially the same grounds as the district court.

After the appeal, BrainLAB filed a petition in the district court seeking attorney fees and expenses based on 35 U.S.C. § 285, 28 U.S.C. § 1927, and the court's inherent powers. The district court agreed with BrainLAB that the case was exceptional under 35 U.S.C. § 285 and ruled that an award of attorney fees was justified. In so doing, the district court relied on two grounds. First, the district court ruled that Medtronic should have accepted that the claim construction rules stripped the merits from its case. According to the district court, Medtronic should either have sought interlocutory appeal from the claim construction order or abandoned its case when BrainLAB filed its motions for SJ. Second, the district court ruled that Medtronic's counsel had engaged in various forms of litigation misconduct at trial, including misleading the jury as to the district court's claim construction, focusing on a comparison

between a Medtronic product and a BrainLAB product rather than on a comparison between the patent claims and the accused products, and wrongly arguing that a statement in an FDA submission made by BrainLAB constituted an admission of infringement.

Additionally, the court invoked 28 U.S.C. § 1927 and held that Medtronic's counsel, McDermott Will & Emery LLP ("McDermott"), was jointly responsible for the fee award. According to the district court, McDermott attorneys had proceeded cavalierly and with full awareness that their case was without merit. Finally, the district court further based its order against McDermott on its inherent authority to assess fees against counsel who engage in abusive litigation conduct and imposed an award of attorney fees, costs, expenses, and interest of $4,382,031.36. Medtronic and McDermott appealed the judgment to the Federal Circuit.

The Federal Circuit reversed on all counts, concluding that the district court had committed clear error in finding the case exceptional under § 285 and in holding McDermott jointly liable under § 1927 and under the district court's inherent powers. The Court began its analysis by addressing the district court's ruling that Medtronic had acted improperly in failing to abandon its claims following the district court's claim construction order. According to the Court, the salient inquiry was whether Medtronic's infringement claims were so lacking in merit that it was legally obligated to either abandon its case altogether or limit itself to challenging the district court's claim construction on appeal.

The Federal Circuit found that the district court's characterization of Medtronic's claims as frivolous was undermined by the district court's own denial of BrainLAB's motion for SJ and each of its motions for JMOL during trial. According to the Federal Circuit, absent misrepresentation to the trial court, a party is entitled to rely on a trial court's denial of SJ and JMOL, as well as the jury's favorable verdict, as an indication that the party's claims are objectively reasonable and suitable for resolution at trial. Slip op. at 14. Noting that the district court had not pointed to any misrepresentations made by Medtronic and its counsel at the SJ stage, the Federal Circuit determined that each of Medtronic's infringement claims at trial was sufficiently reasonable to warrant being litigated to verdict.

"Absent misrepresentation to the court, a party is entitled to rely on a court's denial of [SJ] and JMOL, as well as the jury's favorable verdict, as an indication that the party's claims were objectively reasonable and suitable for resolution at trial." Slip op. at 14.

With respect to the '454 and '056 patents, the Court noted that Medtronic had revised its case in light of the district court's claim construction ruling, withdrawing entirely its claims of literal infringement as to those patents and proceeding only with claims of infringement under the DOE. With regard to the '101 and '318 patents, the Federal Circuit concluded that Medtronic's opposition to BrainLAB's motion for SJ was well founded and that its position at trial was reasonable despite its inability to persuade either the district court or the Federal Circuit that BrainLAB's products employed a certain claim element or its equivalent in an infringing manner. As for Medtronic's opposition to BrainLAB's assertion of prosecution history estoppel, the Federal Circuit determined that Medtronic's ultimate lack of success on the merits was not determinative of whether its position was frivolous. Instead, the Court found the issue to be sufficiently ambiguous that it was reasonable for Medtronic to litigate the question to verdict. The Court noted that the district court had itself found the estoppel argument sufficiently complex to warrant postponing the issue and that it had devoted six pages of detailed analysis to the issue in its post-trial

opinion granting JMOL.

Having decided that Medtronic's claims were not frivolous and that Medtronic was not obligated to concede noninfringement in light of the district court's claim construction, the Federal Circuit next turned its attention to whether the district court's ruling under § 285 could be sustained by its findings of various instances of litigation misconduct. The Court held that several of Medtronic's comments cited by the district court as constituting misconduct were, in fact, not objectionable.

First, Medtronic's shorthand way of summarizing its theory of the case by alleging that acoustic tracking was substantially equivalent to optical tracking was unaccompanied by any suggestion, subtle or otherwise, that the jury should ignore the district court's instructions, as had been contended by BrainLAB. Therefore, according to the Federal Circuit, this statement could not have reasonably misled the jury as to the issue of infringement under the DOE. *Id*. at 24-25.

Second, a comment concerning prosecution history estoppel made by Medtronic's counsel at closing argument was innocuous because it was made in response to an argument voiced by opposing counsel and did not exceed the bounds of fair commentary on the issues. According to the Court, Medtronic's counsel had merely suggested to the jury that the estoppel argument made by BrainLAB's attorney was erroneous on the merits and directed to an issue that was not going to be submitted to the jury. *Id*. at 25-26. Noting that Medtronic's comment had drawn no objection from BrainLAB's lawyer at trial, the Federal Circuit found that the comment was permissible in light of BrainLAB's focus on the issue during its closing argument.

Third, Medtronic's recommendation that the jury compare the functions of microphones and cameras in the invention and the accused products served the legitimate purpose of supporting its case for equivalence. Similarly, testimony of Medtronic's experts to this effect was not misleading or indicative of an intransigent adherence to rejected claim construction. *Id*. at 27-28.

Fourth, Medtronic's product-to-product comparison of its product and BrainLAB's accused product was permissible despite the district court's concern that the comparison might confuse the jury by leading it to believe that it should focus on the similarities between the two products instead of the similarities between BrainLAB's product and the claims. In so finding, the Federal Circuit credited Medtronic's argument that such a comparison was necessary to prove its damages case. According to the Court, there was no reason to conclude that the district court's repeated cautionary statements were insufficient to remind the jury of the limited purpose for which it was to consider evidence of similarity between the two products. *Id*. at 29.

Finally, the Federal Circuit chose not to override the district court's determination that Medtronic had acted improperly in stating at trial that a letter BrainLAB had sent to the FDA years earlier constituted an admission of infringement under the DOE. According to the Court, deference was owed to the district court as to its determination of impropriety because Medtronic's remarks during trial about the letter to the FDA were subject to differing interpretations. Nevertheless, the Court found that this single incident, viewed in context, was not sufficient to support the district court's finding that the case was exceptional under § 285 and that it was plainly insufficient to support the broad attorney fee award. *Id*. at 35.

According to the Federal Circuit, the district court's fee award was designed to compensate BrainLAB for the entire cost of its legal representation after the SJ phase of the case based on its conclusion that

Medtronic unnecessarily prolonged the proceedings after that point. However, in light of the Court's conclusion that Medtronic did not improperly prolong the proceedings by pursuing its claims through trial and its disagreement with most of the district court's criticisms of Medtronic's litigation tactics, the Court reversed the district court's exceptional case finding and vacated the attorney fee award under § 285.

The Court next turned its attention to BrainLAB's petition for relief under § 1927, noting that a court may require an attorney to satisfy personally the excess costs, expenses, and attorney fees reasonably incurred when the attorney multiplies the proceedings in any case unreasonably and vexatiously. Nevertheless, the Federal Circuit found that its ruling in the § 1927 claim was largely dictated by its determinations regarding the § 285 claim. Finding that it was not unreasonable for Medtronic to seek relief even in light of the court's claim construction, the Federal Circuit concluded that McDermott, as Medtronic's counsel, could not be held liable for continuing to represent Medtronic in that effort. According to the Court, even if McDermott had concluded that Medtronic's prospects for ultimately prevailing in the litigation were significantly diminished by the court's claim construction order, it was not unreasonable for McDermott to continue to press its client's case in light of the arguments that remained available.

As for the particular instances of alleged litigation misconduct, the Court noted that it had already held that several of the items did not constitute misconduct at all. And with respect to McDermott's comments about BrainLAB's FDA submission, the Court noted that it had upheld the district court's conclusion that the manner in which McDermott made its argument was improper. But just as those remarks, standing alone, were insufficient to render the case exceptional under § 285, the Court also held that the same remarks did not improperly prolong the proceedings and thus were not an appropriate basis for the entry of an award under § 1927.

The Federal Circuit concluded its analysis by addressing the district court's invocation of its inherent authority as a basis for the award of fees, costs, expenses, and interest. Noting the Supreme Court's admonition that a court's inherent powers must be exercised with restraint, along with other courts' similarly narrow view of inherent authority as a basis for imposing sanctions for attorney misconduct, the Court suggested that its determination under inherent authority was largely informed by its findings with respect to the § 285 and § 1927 claims. According to the Court, Medtronic's conduct was not sufficiently egregious to justify the imposition of sanctions under the district court's inherent authority.

In a concurring opinion, Judge Lourie emphasized that district court judges are entirely justified, when they encounter frivolous claims and/or excessively hard-ball tactics, in imposing sanctions on offending parties, because they are enforcing respect for the courts and the rights of innocent parties to be free of unjustified claims. Judge Lourie further noted that this case presented a number of instances where the district court felt that counsel had overstepped its bounds. Under such circumstances in the future, district court judges should not be chilled by this opinion from taking control of their courtroom and imposing sanctions when deemed appropriate.

May 2010

Patent Unenforceable Because Company's Founder and President Was "Substantively Involved" with Application and Incurred Duty of Candor to PTO

Elliot C. Cook

Judges: Mayer, Linn (concurring-in-part and dissenting-in-part), Prost (author)

[Appealed from E.D. Tex., Judge Ward]

In *Avid Identification Systems*, *Inc*. *v*. *Crystal Import Corp*., Nos. 09-1216, -1254 (Fed. Cir. Apr. 27, 2010), the Federal Circuit determined sua sponte that it had jurisdiction over the appealed issue of unenforceability due to inequitable conduct, and affirmed the district court's finding of unenforceability.

Avid Identification Systems, Inc. ("Avid") is a small, closely held company that designs and markets biocompatible radio-frequency identification chips for implantation in animals, which function to locate lost animals. Avid's founder and president, Dr. Hannis Stoddard, hired at least three engineers, Dr. Polish, Dr. Malm, and Mr. Beigel, to develop a chip and reader system in which the reader could read both unencrypted chips currently on the market as well as encrypted chips that Avid produced.

Dr. Stoddard demonstrated some of Avid's technology at a U.S. Livestock Committee trade show around April 1990. Four months later, Avid filed the application that matured into U.S. Patent No. 5,235,326 ("the '326 patent"), which was directed to a multi-mode radio-frequency identification system for reading encoded biocompatible chips. The inventors named on the application were Drs. Polish and Malm, and Mr. Beigel.

Avid sued Datamars SA and its subsidiary Crystal Import Corporation (collectively "Datamars") in 2004, alleging infringement of the '326 patent, as well as unfair competition and false advertising claims. The jury found the '326 patent willfully infringed and not invalid, found in favor of Avid on the unfair competition and false advertising claims, and awarded Avid $26,981 on the patent infringement claim. Following the trial, the district court granted Datamars's motion for unenforceability based on inequitable conduct, finding that Dr. Stoddard's trade show demonstration was material prior art under 35 U.S.C. § 102(b). The district court held that Dr. Stoddard owed a duty of candor to the PTO and violated that duty by withholding information concerning the trade show demonstration from the PTO with deceptive intent. After the ruling on inequitable conduct, the parties entered into a settlement agreement involving the dismissal of all claims other than those related to the '326 patent. Datamars also agreed not to contest the standing, jurisdiction, mootness, or case and controversy of the inequitable conduct decision

on appeal to the Federal Circuit, and agreed to pay the $26,981 damages award to Avid if Avid prevailed on the issue of inequitable conduct on appeal.

The Federal Circuit first considered, sua sponte, whether it had jurisdiction to decide the issue of unenforceability. The Court noted that Datamars's agreement not to dispute standing, jurisdiction, mootness, and case or controversy on appeal did not thereby give Avid standing or give the Court jurisdiction. But a live controversy did exist, the Court held, because Datamars remained free under the settlement agreement to oppose the appeal on the merits, even though Datamars declined to submit an appeal brief. Further, Datamars's agreement not to contest the procedural appropriateness of the appeal did not release the Court from its legal obligation to determine procedural appropriateness sua sponte. In response to an argument by amicus participant Allflex USA, Inc. that the $26,981 Avid could recover on appeal was merely a nominal amount, the Court found that the $26,981 was not a token or arbitrary sum introduced for the purpose of manufacturing a controversy, given that it represented the entirety of the jury award for patent infringement. Consequently, the Federal Circuit held that it had jurisdiction to decide the issue of inequitable conduct.

"We read 'substantively involved' to mean that the involvement relates to the content of the application or decisions related thereto, and that the involvement is not wholly administrative or secretarial in nature." Slip op. at 10.

The Court next turned to the issue of inequitable conduct. According to Avid, the district court's finding that Dr. Stoddard's trade show demonstration was material prior art was clearly erroneous, because the demonstration related to a precursor product that did not contain all of the elements of the '326 patent claims. In fact, Avid noted, the jury found the '326 patent valid despite evidence of the demonstration. The Federal Circuit rejected this argument because it confused the concepts of "material" and "invalidating." "We have often held that a reasonable examiner may find a particular piece of information important to a determination of patentability, even if that piece of information does not actually invalidate the patent." Slip op. at 8. The Federal Circuit concluded that the district court's finding of materiality was not clearly erroneous because the precursor product, while not invalidating, reflected the closest prior art, and thus was highly material to patentability.

Avid next argued that Dr. Stoddard was not bound by 37 C.F.R. § 1.56 ("Rule 56"), which imposes on inventors, attorneys or agents, and individuals "substantively involved in the preparation or prosecution of the application," a duty of candor to the PTO. *See* 37 C.F.R. § 1.56(c). The Federal Circuit recognized that its previous decisions had not determined the meaning of substantive involvement in the preparation or prosecution of an application. Citing MPEP § 2001.01, the Court stated: "We read 'substantively involved' to mean that the involvement relates to the content of the application or decisions related thereto, and that the involvement is not wholly administrative or secretarial in nature." Slip op. at 10.

The Federal Circuit then considered the district court's findings that supported the conclusion that Dr. Stoddard was bound by Rule 56, including the nature of his position as president and founder of Avid, that Avid is a closely held company, that Stoddard hired the inventors to reduce his encrypted chip concept to practice, that Stoddard was involved in all aspects of the company's operation, from marketing and sales to research and development, and that Stoddard was a recipient of two communications from an inventor of the '326 patent concerning a related European application. Further, the Federal Circuit

noted that the district court found that "Dr. Stoddard's testimony at trial was not credible, his memory of facts was suspiciously selective, and he refused to acknowledge certain incontrovertible events." *Id*. at 13.

Given these findings of fact, the Federal Circuit found that the district court's duty of candor analysis was not clearly erroneous and was reinforced by the Court's own review of the entire record and relevant case law, including *Bruno Independent Living Aids*, *Inc*. *v*. *Acorn Mobility Services Ltd*., 394 F.3d 1348 (Fed. Cir. 2005). Specifically, the Court noted that Dr. Stoddard was personally responsible for the disputed prior art demonstrations, he was in contact with at least one of the inventors during the preparation of the '326 patent application regarding patent-related matters and was advised by that inventor to check with a patent attorney before disclosing information about Avid's technology to the public, he signed a small-entity status affidavit shortly before the application was filed, and the functionality of the system described in the '326 patent was his idea. Accordingly, the Court affirmed the district court's finding of unenforceability due to inequitable conduct.

In a separate opinion, Judge Linn concurred with the majority's opinion insofar as it found that a live controversy between the parties existed on the issue of unenforceability, and that Dr. Stoddard's trade show demonstration was material prior art. But Judge Linn dissented with respect to the majority's holding that Dr. Stoddard was bound by 37 C.F.R. § 1.56(c)(3). According to Judge Linn, "Because one cannot assess whether information is 'material to patentability' without knowledge of the technical details or legal merits of an application, it should be self-evident that when Rule 56(c)(3) talks about persons who are 'substantively involved' it is referring to those persons who are both (1) engaged in the preparation or prosecution of an application and (2) sufficiently apprised of the technical details or legal merits of the application as to be able to assess the materiality of any information they may know or discover as the application is prepared or prosecuted." Linn Dissent at 3-4. Judge Linn clarified that the "knowledge" requirement he believed should apply was distinct from the knowledge component of the materiality inquiry. Rather, Judge Linn read the word "substantive[]" as limiting the set of individuals who have a duty to disclose to those who possess a specific understanding of the substance of the application. Judge Linn further disagreed with the majority that the evidence of record supported a finding that Dr. Stoddard was substantively involved in the preparation or prosecution of the '326 patent application. Consequently, Judge Linn would have reversed the finding that the '326 patent was unenforceable due to inequitable conduct.

Arguments Made During Prosecution Trump Ambiguous Disclosure That May Have Otherwise Established an Earlier Priority Date

Matthew T. Nesbitt

Judges: Lourie (author), Clevenger, Rader

[Appealed from S.D. Ohio, Senior Judge Beckwith]

In *Bradford Co. v. ConTeyor North America, Inc.*, No. 09-1472 (Fed. Cir. Apr. 29, 2010), the Federal Circuit affirmed a decision limiting the priority date of U.S. Patent No. 6,540,096 ("the '096 patent") to its own filing date, reversed the finding that ConTeyor North America, Inc. ("ConTeyor NA") did not infringe U.S. Patent No. 6,230,916 ("the '916 patent") and the '096 patent, vacated the district court's ruling that it did not have personal jurisdiction over ConTeyor Multibag Systems N.V. ("ConTeyor NV"), and remanded for further proceedings regarding infringement and personal jurisdiction.

Bradford Company ("Bradford") owns both the '916 and '096 patents, as well as U.S. Patent No. 5,725,119 ("the '119 patent"). All three patents are directed toward reusable shipping containers used to ship automobile door panels and related parts. The claimed containers include "dunnage," which is a collection of pouches used for holding parts. The dunnage is located inside of and attached to the container. Both the containers and dunnage have an assembled state, used for shipping, and a collapsed state, used for returning the container to the shipper. This design reduces both the size of the container and shipping costs for the return voyage. All three patents are related. The '916 patent is a divisional of the '119 patent, and the '096 patent is a CIP of the '916 patent.

During prosecution of the '096 patent, the examiner rejected the claims as obvious in light of the '119 patent combined with U.S. Patent No. 4,798,304 ("the Rader patent"). The examiner specifically stated that the Rader patent taught a "side wall having [an] opening." Slip op. at 11-12 (alteration in original). In response, Bradford told the patent examiner that the '119 patent did not teach the very feature that makes the invention of the '096 patent side loading. Specifically, Bradford argued that the '119 patent "clearly does not teach a dunnage structure having an open end which is in alignment with an open area of a side structure to allow access of the dunnage structure for transferring product into and out of the dunnage structure from a side of the container." *Id*. at 12.

In 2005, Bradford asserted the '916 and '096 patents against ConTeyor NV of Belgium and its U.S. subsidiary, ConTeyor NA, due to their sale of shipping containers with collapsible dunnage. After

construing the claims, the district court granted ConTeyor NA's motion for SJ of noninfringement. The district court also concluded that the '096 patent claims were not entitled to claim priority to the '119 patent, which effectively restricted Bradford's infringement claims to a later filing date. Finally, the district court dismissed the claims against ConTeyor NV, the Belgium parent, for lack of personal jurisdiction.

On appeal, the Federal Circuit first considered whether the '096 patent was entitled to the priority date of the '119 patent. Bradford argued that the district court placed too much emphasis on a remark by Bradford's counsel during prosecution, who argued that the '119 patent did not disclose a side-loading container, a key feature claimed in the '096 patent. Bradford further argued that the prosecuting attorney's statement was incorrect as Figures 4 and 5 of the '119 patent depicted a side-loading container.

"[A]rguments made to persuade an examiner to allow an application trump an ambiguous disclosure that otherwise might have sufficed to obtain an earlier priority date." Slip op. at 12 (citing *Standard Oil Co. v. Am. Cyanamid Co.*, 774 F.2d 448, 452 (Fed. Cir. 1985)).

The Court concluded that Bradford is estopped from arguing for an earlier priority date for the '096 patent by the prosecution history. In so holding, the Court relied on *Lockwood v. American Airlines*, 107 F.3d 1565 (Fed. Cir. 1997), for the principle that in order to claim priority to an earlier application under 35 U.S.C. § 120, each application in the chain leading back to the earlier application must comply with the written description requirement of 35 U.S.C. § 112. The earlier application must show that the inventor was "in possession" of the claimed invention as of the filing date sought. Slip op. at 11. The Court stated that Figures 4 and 5, which depicted a side-loading container, might have sufficed as a sufficient written description but for the attorney arguments to the contrary. The Court noted that "[a] rguments made to persuade an examiner to allow an application trump an ambiguous disclosure that otherwise might have sufficed to obtain an earlier priority date." *Id*. at 12 (citing *Standard Oil Co. v. Am. Cyanamid Co.*, 774 F.2d 448, 452 (Fed. Cir. 1985)).

The Federal Circuit next considered the district court's noninfringement ruling. Bradford argued that the district court's decision was based on an improper construction of the term "coupled to" that required the dunnage structure to attach directly to the frame or side structures of the container. Bradford argued for a broader construction, pointing to the specifications of the '096 and '119 patents, both of which disclose the dunnage attached to an internal rail that was in turn attached to the side structure of the container. Moreover, Bradford highlighted a dependent claim of the '096 patent reciting that the dunnage was indirectly fixed to the side structure through an internal rail.

The Federal Circuit agreed with Bradford and concluded that, in light of the dependent claim describing an indirect attachment of the dunnage structure, the independent claim should be presumed broader and allow for other types of attachments. The Court cautioned that claim differentiation is not a conclusive basis for construing claims but nonetheless found other reasons to support its decision. Specifically, the '096 specification disclosed dunnage coupled to the side structure through an internal rail. Moreover, the claims themselves suggested an indirect connection with their inclusion of modifiers such as "operably coupled to" and "movably coupled to." Because the district court's noninfringement ruling was based on an erroneous claim construction, the Federal Circuit remanded the question of infringement and instructed the district court to use a broader construction for the term "coupled to."

Finally, the Federal Circuit addressed the district court's ruling that it did not have personal jurisdiction over ConTeyor NV. Bradford argued that, under *Touchcom, Inc. v. Bereskin & Parr*, 574 F.3d 1403 (Fed. Cir. 2009), the district court could exercise jurisdiction over a foreign defendant who has sufficient contacts with the United States and who refuses to identify a state where it is subject to jurisdiction. Bradford reasoned that because ConTeyor NV never conceded personal jurisdiction in any state and because an exercise of jurisdiction in Ohio would comport with due process, ConTeyor NV was subject to personal jurisdiction in Ohio under Rule 4(k)(2). Conversely, ConTeyor NV argued that because the Federal Circuit had not decided *Touchcom* at the time of the district court's ruling, it was not obligated to identify a forum in which it was subject to personal jurisdiction. Regardless, ConTeyor NV, in its brief, conceded jurisdiction in Michigan and argued that jurisdiction anywhere other than Michigan would fail to comport with due process.

In addressing the parties' arguments, the Federal Circuit explained that, for a court to exercise jurisdiction over a foreign defendant under Rule 4(k)(2), the claim must arise under federal law, the defendant must not be subject to jurisdiction in any state's courts of general jurisdiction, and the exercise of jurisdiction must comport with due process. Under *Touchcom*, a district court can use Rule 4(k)(2) whenever a foreign defendant contends that he cannot be sued in the forum state and refuses to concede jurisdiction in another state. The Federal Circuit concluded that the district court erred in its application of Rule 4(k)(2) because it considered whether ConTeyor NV's contacts with Ohio and Michigan imposed an improper burden on the defendant. Instead, the district court should have considered ConTeyor NV's contacts with the United States as a whole. Accordingly, the Federal Circuit vacated that portion of the district court's decision and remanded for consideration whether the district court could use Rule 4(k)(2) to assert jurisdiction over ConTeyor NV, whether ConTeyor NV has sufficient contacts with the United States as a whole, and, if so, whether the case against ConTeyor NV should proceed in Ohio or Michigan.