



PATENT HAPPENINGS

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on judicial, legislative, and administrative developments in patent law.

HIGHLIGHTS

1. *En banc Federal Circuit limits patent eligible subject matter for processes patents* 1
2. *Reasonable non-infringement claim construction position defeats charge of willful infringement* .. 2
3. *District Court rules that Seagate precludes enhanced damages for post-filing conduct* 3
4. *Doctrine of equivalents may not be available for limitations using the term “about”* 4
5. *District court rejects PTO’s methodology of calculating term extensions for PTO delays for short changing patentees* 4
6. *Collection of technical specifications having same publisher but different publication dates was not a “single” prior art reference for purposes of anticipation* 5
7. *Anticipation not shown where it is necessary to combine separate disclosures within the same reference to arrive at the claimed invention* 6
8. *Patentee need not actually know of suspected infringement to give “actual notice” of its patent rights for purposes of § 287(a)* 6
9. *Nexus to show commercial success must be tied to differences between prior art and claimed invention* 7
10. *Patentee bears a production burden to prove entitlement to § 120 priority, but does not bear a burden of persuasion* 7
11. *Absence of working examples supported finding that prior art patent did not enable later-claimed invention for purposes of anticipation* .. 9
12. *No antitrust violation from reverse payment by patentee to accused infringer to not enter market or challenge validity of patent* 10
13. *USPTO commences a Pilot Patent Prosecution Highway Program with Danish Patent Office*.. 10

JUDICIAL HAPPENINGS

The New § 101 Standard for Process Patents

The Federal Circuit shook up the patent world, and raised serious questions about the continued viability of some software and business method patents, with its *en banc* opinion *In re Bilski*, No. 2007-1130, 2008 WL 4757110 (Fed. Cir. Oct. 30, 2008). Relying on its view of Supreme Court precedent, and overruling prior Federal Circuit precedent in a nine to three decision, the majority adopted a “machine-or-transformation test” as the sole standard for determining patentable subject matter when a process is claimed. Under this test, a process can be patentable subject matter under § 101 only if “(1) it is tied to a particular machine or apparatus, or (2) it transforms a particular article into a different state or thing.” *Id.* at *5.

As to the specifics of the standard, the court opted not to provide detailed guidance as to what makes something “tied to a particular machine or apparatus.” The court, however, did state that “the use of a specific machine or transformation of any article must impose meaningful limits on the claim’s scope to impart patent-eligibility,” and that the “involvement of the machine or transformation in the claimed process must not merely be insignificant extra-solution activity.” *Id.* at 11. It also instructed that a process of purely mental steps would not meet the new standard because such a process “is obviously not tied to any machine and does not transform any article into a different state or thing. As a result, it would not be patent-eligible under § 101.” *Id.* at *10 n.26.

As to the “transformation” prong of the test, the Federal Circuit instructed that “[a] claimed process is patent-eligible if it transforms an article into a different state or thing. This transformation must be central to the purpose of the claimed process.” *Id.* at *11. The court provided little guidance as to what considerations would shape the inquiry on whether a transformation is “central to the purpose of the

claimed process.” As an overriding standard, the court explained that as long as the process “is limited to a practical application of a fundamental principle to transform specific data . . . there is no danger that the scope of the claim would wholly preempt all uses of the principles,” and therefore the process would be patentable subject matter. *Id.* at *12.

In a statement that likely will be relevant to business method patents, the court instructed that under its new standard “[p]urported transformations or manipulations simply of public or private legal obligations or relationships, business risks, or other such abstractions cannot meet the test because they are not physical objects or substances, and they are not representative of physical objects or substances.” *Id.* at *13.

At this point it is not clear how *Bilski* will impact software patents. The court refused to adopt a broad categorical exclusion of software inventions from patentable subject matter. *Id.* at *23. But, in giving some guidance to applying the “machine or transformation test,” the court explained that process claims that have at their core a “fundamental principle” having no utility other than operating on a computer, like the binary-to-digital conversion process the Supreme Court considered in *Benson*, may not be patentable subject matter since they would effectively preempt the “fundamental principle.” *Id.* at *6. The court also stated that “even if a claim recites a specific machine or a particular transformation of a specific article, the recited machine or transformation must not constitute mere ‘insignificant postsolution activity.’” *Id.* at *8. Making the public ponder what is “insignificant postsolution activity” and how the test might apply to software patents, the court stated that it was leaving to “future cases the elaboration of the precise contours of machine implementation, as well as the answers to particular questions, such as whether or when recitation of a computer suffices to tie a process claim to a particular machine.” *Id.* at *11.

Judges Newman and Rader separately dissented. Judge Newman faulted the majority’s holding as being contrary to the same Supreme Court precedent the majority cited as support for its standard. *Id.* at *26-*32. She also criticized the majority’s holding for the uncertainty the new standard will impose on the public as many aspects of the new standard are left undefined. *Id.* at *40-*43. Judge Rader characterized the majority opinion as “legal sophistry,” *id.* at *60, that “disrupts

settled and wise principles of law,” *id.* at *58. On the other side of the spectrum, Judge Mayer criticized the majority opinion for not addressing squarely whether business methods are patentable subject matter. Mincing no words, Judge Mayer advocated for denying patent protection to business method patents. *Id.* at *46-*55.

Whether the Supreme Court will be asked to review *Bilski* is not yet known. But in the context of the 1952 Patent Act, the Supreme Court historically appears more willing to hear cases addressing § 101 subject matter issues than other patent issues. Further, the majority practically invited the Supreme Court to review its ruling with its statement:

[W]e agree that future developments in technology and the sciences may present difficult challenges to the machine-or-transformation test, just as the widespread use of computers and the advent of the Internet has begun to challenge it in the past decade. Thus, we recognize that the Supreme Court may ultimately decide to alter or perhaps even set aside this test to accommodate emerging technologies. And we certainly do not rule out the possibility that this court may in the future refine or augment the test or how it is applied.

Id. at *7.

No Willfulness if Claim Construction Reasonable

Over a year ago the Federal Circuit redefined the standard for proving willful infringement by holding that “proof of willful infringement permitting enhanced damages requires at least a showing of objective recklessness.”¹ In adopting the new standard, the court stated that it would “leave it to future cases to further develop the application of this standard.”² In what appears to be the first published opinion by the Federal Circuit addressing substantive details in applying the new objective recklessness standard,³ the court

¹ *In re Seagate Technology*, 497 F.3d 1360, 1370 (Fed. Cir. 2007) (*en banc*). See generally, Robert A. Matthews, Jr., Annotated Patent Digest § 31:22 “Objective Recklessness” Standard of *Seagate* [hereinafter APD].

² *Id.* at 1371.

³ In January, the Federal Circuit affirmed a JMOL overturning jury’s verdict of willful infringement in *Innogenetics, N.V. v. Abbott Labs.*, 512 F.3d 1363, 1381 (Fed. Cir. 2008), but provided no analysis of its affirmance other than stating our “review of the record does not indicate how Abbott’s development and sale of its genotyping products were at risk of an objectively high likelihood of infringement.” The court provided some guidance on substantively applying the *Seagate* standard in the unpublished opinions of *Black & Decker Inc. v. Robert Bosch Tool Corp.*, No.

affirmed a finding of no willful infringement in *Cohesive Technologies, Inc. v. Waters Corp.*, No. 2008-1029, 2008 WL 4472884, *18 (Fed. Cir. Oct. 7, 2008).

In *Cohesive Tech.*, the district court, after conducting a bench trial on the issue of willful infringement, ruled that even though the jury found infringement, the infringement was not willful because the infringer did not copy the patentee's product and had obtained in good faith an opinion of noninfringement from its in-house counsel before proceeding to manufacture its product.⁴ While perhaps implicitly taking note of these facts, the Federal Circuit, nevertheless, did not rely on them in affirming the finding of no willful infringement. Instead, the court focused solely on the noninfringement defense presented during the litigation. It concluded that because a disputed claim term "was susceptible to a reasonable construction under which Waters's products did not infringe, there was not an objectively high likelihood that Waters's actions constituted infringement." *Id.* at *18. In light of this factor alone, the court held that "[t]he district court's finding of no willful infringement was therefore not clearly erroneous." *Cohesive Tech.* thus suggests that under *Seagate* litigation defenses, including claim construction positions urged to support a finding of noninfringement, can defeat a charge of willful infringement.⁵

The Federal Circuit in *Cohesive Tech.* also rejected the patentee's argument that enhanced damages should be available for egregious conduct that did not rise to the level of willful infringement. It concluded that since the *en banc* majority in *Seagate* did not overrule prior precedent limiting enhanced damages to willful infringement, the panel was bound by the prior precedent. *Id.*

Ten days after deciding *Cohesive Tech.*, the Federal Circuit again addressed the issue of willful infringement in *Minks v. Polaris Indus., Inc.*, No. 2007-1491, 2008 WL 4601732, *13 (Fed. Cir. Oct. 17, 2008). There the court affirmed a finding of willful infringement and enhanced damages. The infringer

argued that since the jury was instructed under the pre-*Seagate* standard, and told it could consider whether or not the infringer had obtained an opinion of counsel, the jury instruction was prejudicially erroneous. The Federal Circuit rejected this argument. It noted that to show prejudicial error in a jury instruction, the movant must show a different outcome in the verdict likely would have occurred. The infringer failed to meet that standard, in the Federal Circuit's view, since the district court had found that the infringer had deliberately copied the patentee's product and "the case was not close." *Id.* The court thus concluded that "the jury may very well have arrived at the same result" even if instructed as urged by the infringer. *Id.* Hence, *Minks* shows that deliberate copying plus weak litigation defenses can support a finding of willful infringement under *Seagate*.

No Enhanced Damages for Post-filing Acts

In *Seagate* the Federal Circuit noted that the ability to obtain a preliminary injunction "generally provides an adequate remedy for combating post-filing willful infringement."⁶ Accordingly, it further stated that "[a] patentee who does not attempt to stop an accused infringer's activities in this manner should not be allowed to accrue enhanced damages based solely on the infringer's post-filing conduct."⁷

Attempting to give effect to these statements, the district court in *GSI Group, Inc. v. Sukup Mfg. Co.*, 2008 WL 4545347, *6-*7 (C.D. Ill. Oct. 9, 2008), interpreted *Seagate* as mandating that a patentee is *not* entitled to enhanced damages for any post-filing infringement. Instead, a patentee is limited to the remedy of a preliminary injunction. Explaining its reasoning, the district court stated:

The Federal Circuit has instructed this Court not to award enhanced damages for postfiling infringement; GSI's remedy for any post-filing willful infringement was a preliminary injunction. The potential enhanced damages in this case, therefore, are limited to three times the compensatory damages for Sukup's alleged pre-filing infringement of the 271 Patent. . . .

2007-1243, 1244, 2008 WL 60501, *6-*7 (Fed. Cir. Jan. 7, 2008) (*nonprecedential*) and *Lexion Med., LLC v. Northgate Tech., Inc.*, No. 2007-1420, 2008 WL 4097481, *7-*8 (Fed. Cir. Aug. 28, 2008) (*nonprecedential*).

⁴ 526 F. Supp. 2d 84, 104-07 (D. Mass. Aug. 31, 2007).

⁵ See generally, APD § 31:41 —Litigation Defenses; see also APD § 31:40 —Good Faith and Substantial Challenge.

⁶ *Seagate Technology*, 497 F.3d at 1374.

⁷ *Id.* The Federal Circuit further noted in *Seagate* "that in some cases a patentee may be denied a preliminary injunction despite establishing a likelihood of success on the merits, such as when the remaining factors are considered and balanced. In that event, whether a willfulness claim based on conduct occurring solely after litigation began is sustainable will depend on the facts of each case." *Id.*

[Although *dicta*] [t]he statements in the *Seagate* opinion, however, are quite clear. The Federal Circuit stated that a patent holder, such as GSI, has an adequate remedy for post-filing willful infringement through the pursuit of preliminary injunctive relief. The Federal Circuit further stated: ‘A patentee [such as GSI] who does not attempt to stop an accused infringer’s activities in this manner should not be allowed to accrue enhanced damages based solely on the infringer’s post-filing conduct.’ This Court must follow the Federal Circuit. GSI is not entitled to enhanced damages for any post-filing willful infringement; GSI could have stopped such infringement through preliminary injunctive relief.

Id. at *6-*7.

The district court also denied the accused infringer’s motion for summary judgment seeking to dismiss the willful infringement claim in its entirety. Evidence that the accused infringer had copied the patentee’s design and had not obtained opinions of counsel that fully addressed the scope of infringement created issues of fact as to whether the accused infringer’s conduct was objectively reckless. *Id.* at *3-*5.

Restricting DOE for Claims with “About”

Theoretically, the doctrine of equivalents does not permit a patentee to “expand” the scope of a claim, but instead permits a patentee to reach accused products that have insubstantial changes from the literal limitations of the claim.⁸ Implicitly applying this principle in *Cohesive Tech.*, *supra*, the Federal Circuit held that where a construction of a claim term results in a functional definition that effectively brings within the literal scope of the claim all possible equivalents of the limitation, the patentee may not rely on the doctrine of equivalents for that limitation to further expand the effective reach of the claim.

The claim at issue in *Cohesive Tech.* required particles having an average diameter of “greater than about 30 μ m.” The district court construed the literal scope of the claim to exclude an accused product with a diameter of 29.1 μ m. The Federal Circuit reversed this construction because it concluded that the district court’s construction read out the term “about.” 2008 WL 4472884, at *11. To determine the quantitative range to be afforded to the claim phrase “about 30,” the Federal Circuit considered the function the limitation

⁸ See generally, APD § 13:4 Doctrine Does not Expand the Scope of a Claim.

had to perform, which in this case was creating turbulence. *Id.* at *11-*13. Hence, the court allowed the claim limitation to literally reach particles smaller than 30 μ m if they attained turbulence and were greater than a lower 20 μ m limit specified in the specification as not being within the scope of the invention. The court stated “[t]his functional approach is necessary and appropriate, because the deliberate imprecision inherent in the word ‘about’ makes it impossible to ‘capture the essence’ of the claimed invention in strict numeric terms.” *Id.* at *13.

While accounting for the function performed by the claim limitation gave the patentee a broad scope of literal coverage, the Federal Circuit concluded that it also precluded the patentee from asserting infringement under the doctrine of equivalents for that limitation. The court found that “by electing to include the broadening word ‘about’ in the claim, the patentee has in this case already captured what would otherwise be equivalents within the literal scope of the claim.” *Id.* at *15. Accordingly, the patentee could not rely on the doctrine of equivalents for that limitation. *Id.* at *16.

Viewing its ruling as an application of the principle that the doctrine of equivalents will not permit a patentee to assert that an equivalent of an equivalent infringes⁹, the Federal Circuit summarized its holding by stating “[w]here ... a patentee has brought what would otherwise be equivalents of a limitation into the literal scope of the claim, the doctrine of equivalents is unavailable to further broaden the scope of the claim.” *Id.*

Calculating Term Extensions for PTO Delays

Under 35 U.S.C. § 154(b)(1) of the Patent Act, a patentee may obtain an extension of the term of its patent for certain PTO delays. Subject to certain exceptions, if an application takes longer than three years to issue from its actual filing date due to delays in the PTO, a patentee can obtain a term extension that equals the number of days beyond the three year period it took for the patent to issue.¹⁰ This type of delay is referred to as a “B period” delay. Additionally, if the PTO delays in meeting certain milestones set forth in § 154(b)(1)(A), e.g., issue a first office action with fourteen months of prosecution or issue a patent within

⁹ See generally, APD § 13:57 Equivalents of an Equivalent; see also APD § 13:66 Inherent Narrowness of the Specific Claim Language.

¹⁰ 35 U.S.C. § 154(b)(1)(B).

four months of the date the issue fee is paid, a patentee can obtain a term extension equal to the number of days the PTO delayed in meeting the milestone. This type of delay is referred to as an “A period” delay.

To prevent double counting of “A period” and “B period” delays, the Patent Act provides “[t]o the extent that *periods of delay* attributable to grounds specified in paragraph (1) *overlap*, the period of any adjustment granted under this subsection shall not exceed the actual number of days the issuance of the patent was delayed.”¹¹ The PTO had adopted the position that if an application had both “A period” and “B period” delays, *all* the “A period” delays would be subsumed into the “B period” delays, even if the “A period” delays had happened before three years had passed in the prosecution. Thus, the PTO had announced its position that “if an application is entitled to an adjustment under the three-year pendency provision of 35 U.S.C. § 154(b)(1)(B), the entire period during which the application was pending before the Office . . . , and not just the period beginning three years after the actual filing date of the application, is the relevant period . . . in determining whether periods of delay ‘overlap’ . . .”¹²

The PTO’s position was successfully challenged and held to be contrary to the statute in *Wyeth v. Dudas*, 2008 WL 4445642 (D.D.C. Sept. 30, 2008). Accepting the patentee’s arguments, the district court concluded that to “overlap,” the period of delays must share at least one calendar day in common. *Id.* at *3. Accordingly, if there is an “A period” delay that occurs and concludes before the application has completed three years of pendency, that “A period” delay would not “overlap” with a “B period” delay, which by definition only occurs after three years of pendency have passed. Thus, a patentee should be entitled to a term extension for both the “A period” and “B period” delay, and not just the “B period” delay, which it would be limited to under the PTO’s construction of the statute. *Id.* at *3-*4.

The court acknowledged the PTO’s observation that “A period” delays “inevitably” lead to “B period” delays. Nonetheless, the district court held it could not uphold the PTO’s construction of the statute to avoid the perceived double-counting because the PTO’s construction did not comport with the words of the statute, and specifically the requirement of there being

an “overlap” of delay periods. Thus, the district court concluded “[t]he PTO’s efforts to prevent windfall extensions may be reasonable—they may even be consistent with Congress’s intent—but its interpretation must square with Congress’s words. If the outcome commanded by that text is an unintended result, the problem is for Congress to remedy, not the agency.” *Id.* at *4.¹³

The “Single” Reference for Anticipation

Hornbook law establishes that “[a]nticipation under 35 U.S.C. § 102 requires that a *single* prior art reference disclose each and every limitation of the claimed invention.”¹⁴ Seeking to test the bounds of the requirement of a “single” reference, an accused infringer in *Kyocera Wireless Corp. v. Int’l Trade Comm’n*, No. 2007-1493, 2008 WL 4553140, *8 (Fed. Cir. 2008), asserted that a collection of eleven industry specifications, published by the same organization, but at different times, should be treated as a “single” reference because the specifications were “like chapters of a book and function as a single, coherent reference that is simply too voluminous to bind into one volume.” Zeroing in on the fact that the different specifications were “authored by different subsets of authors at different times,” the court held that the specification did not constitute a “single” reference for purposes of anticipation. *Id.* Instead, it found the specification to be “several prior art references with separate dates of creation, rather than a single prior art reference.” *Id.*

As a second line of argument, the accused infringer contended that since each specification allegedly incorporated by reference all of the specifications prior to it, the specifications should be treated as a single reference. The Federal Circuit rejected this argument too. It noted that under its precedent a proper incorporation by reference requires that “the incorporating document must identify the incorporated document with detailed particularity, clearly indicating

¹¹ 35 U.S.C. § 154(b)(2).

¹² 69 Fed.Reg. 34238 (2004).

¹³ After a patent issues, Section 154(b) appears to limit a challenge to the PTO’s calculation of a term adjustment to actions brought in the United States District Court for the District of Columbia “within 180 days after the grant of the patent.” 35 U.S.C. § 154(b)(4)(A).

¹⁴ *Moba B.V. v. Diamond Automation, Inc.*, 325 F.3d 1306, 1322 (Fed. Cir. 2003); *see generally*, APD § 17:37 Basic Test of Anticipation – All Limitations Must be Contained in a Single Reference.

the specific material for incorporation.” *Id.* at *8.¹⁵ According to the court, the specifications failed to meet this standard where the specifications merely cross-referenced each other. The court held that “[t]his vague referencing practice is hardly sufficient to meet this court’s legal requirements for incorporation.”¹⁶ *Id.*

Summarizing its holding, the court concluded that “the GSM standard is simply not a coherent whole document that can be assigned a single prior art date of creation.” *Id.*

Clarifying “Arranged as in the Claim”

Numerous cases from the Federal Circuit instruct that for a prior art reference to anticipate a claimed invention the reference must not only disclose all the limitations of the claimed invention, but the reference must also disclose those limitations “as arranged in the claim.”¹⁷ Clarifying what this means, the Federal Circuit explained in *Net Money, Inc. v. VeriSign, Inc.*, No. 2007-1565, 2008 WL 4614511, *7-*11 (Fed. Cir. Oct. 20, 2008), that “an anticipatory reference [must] show all of the limitations of the claims arranged or combined in the same way as recited in the claims.” *Id.* at *8. Hence, if to arrive at the claimed invention, various aspects of a single prior art reference have to be combined in a manner not described in the reference, the reference does not prove prior invention, and therefore does not anticipate. *Id.* at *8-*10.

Applying this principle in reversing a summary judgment of anticipation, in *Net Money*, the Federal Circuit held that the district court erred when it combined aspects of two protocols disclosed in the

single prior art reference to arrive at something that met all the limitations of the claimed invention even though both protocols were found within the four corners of the reference. *Id.* Summarizing its holding, the court explained that

Differences between the prior art reference and a claimed invention, however slight, invoke the question of obviousness, not anticipation. Thus, it is not enough that the prior art reference discloses part of the claimed invention, which an ordinary artisan might supplement to make the whole, or that it includes multiple, distinct teachings that the artisan might somehow combine to achieve the claimed invention.

Id. at *10.¹⁸

“Actual Notice” Under § 287

A patentee who fails to mark its products can avoid the statutory mandated pre-suit damage forfeiture by showing “that the infringer was notified of the infringement and continued to infringe thereafter.”¹⁹ The Federal Circuit has held that “the actual notice requirement of § 287(a) is satisfied when the recipient is informed of the identity of the patent and the activity that is believed to be an infringement”²⁰ The court has also held that “actual notice requires the affirmative communication of a specific charge of infringement by a specific accused product or device.”²¹

At first blush, these two statements suggest an implicit requirement that the patentee know of the infringement before it can give actual notice. Rejecting this view of its precedent, however, the Federal Circuit held in *Minks v. Polaris Indus., Inc.*, No. 2007-1491, 2008 WL 4601732, *8-*9 (Fed. Cir. Oct. 17, 2008), that a jury instruction that effectively requires the patentee to know of the infringement before it can be found to have given actual notice is

¹⁵ See generally, APD § 17:43 Incorporation by Reference of Other Material into Prior Art Reference.

¹⁶ It seems that the cross-referencing of the various specifications would provide strong evidence of an apparent reason to combine the specifications for purposes of obviousness. See *Commonwealth Scientific and Industrial Research Organisation v. Buffalo Technology (USA)*, 542 F.3d 1363, 1372 (Fed. Cir. Sept. 19, 2008) (citation in a footnote of an alleged anticipatory prior art publication to a second prior art article did not incorporate by reference that second article into the disclosure for the purposes of anticipation, but footnote cite may have provided evidence of a motivation to combine the articles for purposes of obviousness). The accused infringer, however, was foreclosed from raising an obviousness defense because it failed to present such a defense to the ALJ during the investigation. The Federal Circuit rejected the accused infringer’s argument that the intervening decision in *KSR* provided an excuse for the accused infringer’s procedural lapse. *Kyocera* at *9.

¹⁷ See generally, APD § 17:45 Reference Discloses All of the Individual Limitations But Not the Specific Claimed Combination (collecting cases).

¹⁸ The day after handing down *Net Money*, the Federal Circuit stated the test for anticipation as follows: “[a]nticipation ... requires that every claim element and limitation is set forth in a single prior art reference, in the same form and order as in the claim.” *Abbott Labs. v. Sandoz*, No. 2007-1300, 2008 WL 4636167, *3 (Fed. Cir. Oct. 21, 2008) (emphasis added) (affirming grant of a preliminary injunction).

¹⁹ 35 U.S.C. § 287(a) (emphasis added); see generally APD § 30:163 Providing Actual Notice When Patentee Did Not Mark.

²⁰ *SRI Int’l, Inc. v. Advanced Technology Labs., Inc.*, 127 F.3d 1462, 1470 (Fed. Cir. 1997).

²¹ *Amsted Indus. Inc. v. Buckeye Steel Castings Co.*, 24 F.3d 178, 186 (Fed. Cir. 1994).

legally improper. Rather a jury instruction should reflect that the jury “[i]s permitted to find notice prior to the date [the patentee] discovered [the accused infringer]’s infringement.” *Id.* at *9.

According to the Federal Circuit, this follows from the recognition that an “unqualified charge” of infringement is not required to give actual notice. *Id.* A patentee may give an accused infringer a “qualified charge” of infringement that identifies the patent and identifies specific activity that *would* infringe the patent. For these “qualified” infringement charges, “[a]ctual notice ... turns on the point at which this charge ... [i]s sufficiently specific such that [the accused infringer] ‘knew of the adverse patent and the alleged infringement.’” *Id.*

In *Minks* the Federal Circuit vacated the damage award, in part, based on the error in the jury instruction requiring the jury to determine when actual notice was given and remanded the case to the district court for a new trial on damages.²² Consequently, the Federal Circuit did not attempt to work through the facts regarding the history of communications between the parties to identify which communication met the new standard, or whether a communication not meeting the new standard when originally made could effectively constitute actual notice at a later point in time.

Simple Substitution Obvious

The Federal Circuit effectively ended the ten-year battle between Asyst Technologies, Inc. and Jenoptik Infab, Inc. by affirming the district court’s grant of a judgment as a matter of law that the asserted claims were invalid for obviousness despite a jury verdict to the contrary. Agreeing with the accused infringer that the jury erred in disregarding a pertinent prior art patent, the Federal Circuit concluded that the jury’s failure to consider the prior art patent “fundamentally undermined” its verdict. *Asyst Technologies, Inc. v. Emtrak, Inc.*, No. 2007-1554, 2008 WL 4529500, *2 (Fed. Cir. Oct. 10, 2008). Accounting for the prior art patent, the court noted that the reference disclosed all of the limitations of the challenged claims except that the reference used a bus for its interface and the claimed invention used a multiplexer. The record further showed that multiplexers were well known as

²² The Federal Circuit also vacated the damage award because the district court had reduced the jury’s damages award without giving the patentee the option of a new trial on damages. *Id.* at *3-*6. See generally, APD § 43:43 Remittitur and Additur in lieu of New Damages Trial.

alternatives to a bus; the multiplexer used in the claimed invention operated in a conventional manner; and replacing the bus with a multiplexer would be a “familiar operation” to anyone of skill in the art. *Id.* at *4. In view of these facts, the Federal Circuit concluded that the prior art patent rendered the claimed invention obvious since it was a simple substitution of one known element for another.²³ *Id.* at *3-*4.

The patentee argued that its use of a multiplexer achieved advantages of a longer battery-life that could not be achieved with the conventional bus. Dismissing this argument, the Federal Circuit noted that one of skill would be aware of the advantages and disadvantages of both devices, and therefore the alleged advantage did not show that the claims were not obvious. *Id.* at *4.

The patentee also argued that its evidence of commercial success and long-felt need should have precluded granting a summary disposition on obviousness. The Federal Circuit noted, however, that the patentee failed to show a nexus between its commercial success and the difference between the prior art and the claimed invention. Thus, the court stated that the patentee’s “failure to link that commercial success to the features of its invention that were not disclosed in [the prior art patent] undermines the probative force of the evidence pertaining to the success of Asyst’s and Jenoptik’s products.” *Id.* at *5.²⁴ The court applied the same rationale to reject the evidence of alleged long-felt need as a consideration showing nonobviousness. *Id.*

Burdens in Proving § 120 Priority

Back in April, the Federal Circuit, in *PowerOasis, Inc.*, rejected the proposition that the presumption of validity under § 282 automatically includes “a presumption that claims in a continuation-in-part (CIP) application are all entitled to the earliest effective filing date.”²⁵ Instead, the court held that where the PTO does not address during prosecution a CIP applicant’s entitlement to claim § 120 priority for a given claim, the patentee bears the burden “to come forward with evidence to prove entitlement to claim priority to an

²³ See generally, APD § 18:61—Cases Finding Material Substitution was Obvious.

²⁴ See generally, APD § 18:103 Features in Prior Art.

²⁵ *PowerOasis, Inc. v. T-Mobile USA, Inc.*, 522 F.3d 1299, 1303-06 (Fed. Cir. 2008). See also *Patent Happenings*, April 2008 at p.5 (summarizing case).

earlier filing date.”²⁶ Some construed this decision as placing a burden of persuasion on a patentee to prove § 120 priority. Some even speculated that perhaps the decision was signaling an erosion of the presumption of validity.

Seeking to correct this misperception, the Federal Circuit revisited *PowerOasis* in *Technology Licensing Corp. v. VideoTek, Inc.*, No. 2007-1441, 2008 WL 4529095, *7-13 (Fed. Cir. Oct. 10, 2008). There, the court clarified that *PowerOasis* only places an evidentiary *production* burden on a patentee when the PTO has not considered the priority claim. It does not place a burden of *persuasion* on a patentee. The burden of persuasion for invalidity challenges always remains on the challenger. *Id.* at *10. Thus, when an accused infringer challenges the validity of a claim issuing from a CIP patent application where the PTO had not considered whether the CIP claims are entitled to the effective filing date of the original application, the patentee bears the burden of producing evidence to show that its earlier application provides adequate support for the claims in the CIP application. According to the Federal Circuit, “[t]his requires [the patentee] to show not only the existence of the earlier application, but why the written description in the earlier application supports the claim. . . . [This] means producing sufficient evidence and argument to show that an ancestor to the [CIP] with a filing date prior to the [prior art reference] date, contains a written description that supports all the limitations of . . . the claim being asserted.” *Id.* at *8. If the patentee produces such evidence, the accused infringer then bears the burden of persuasion to convince the district court that the patentee is not entitled to claim § 120 priority to the ancestor application. *Id.* at *9.

In view of *Technology Licensing* and *PowerOasis*, it appears that for a patentee to claim § 120 priority where the PTO has not addressed the priority issue, the patentee must make a *prima facie* case that the claims in the CIP application are supported by the earlier application. If the patentee makes this *prima facie* case, the challenger then must prove, by clear and convincing evidence, that the earlier application does not adequately support the later claims, otherwise the patentee enjoys the right to § 120 priority.

As to the substantive analysis of the priority claim, the Federal Circuit affirmed the district court’s

judgment that the patentee could not claim § 120 priority to its parent application, and therefore intervening prior art anticipated the claims. The patentee has argued that a portion of a figure of an electrical circuit in the parent application showing two resistors, among many, provided adequate written description support for a claim term “other circuit” in a limitation reciting the step of “coupling said video type signal through a capacitor or *other circuit* thereby establishing a level shifted signal.” Rejecting the patentee’s contentions, the Federal Circuit noted that in the CIP application the “other circuit” was textually described in the specification as a “D.C. level adjustment circuit” shown by a resistor network made up of two resistors. But the parent application had no textual description that the two resistors shown in the circuit diagram acted as a level shifting circuit. *Id.* at *13. The Federal Circuit also noted that during prosecution the inventor only identified the new matter added to the CIP application as being the support for the “other circuit” limitation. The patentee further argued that since the two resistors in the parent application were allegedly similar to the two resistors described in the CIP application as being the D.C. level adjustment circuit, the parent application should be deemed to support the later claims. Rejecting this argument, the court explained that “[t]he pertinent question is not whether a person skilled in the art could look at both Figure 3 [of the parent application] and Figure 16 [of the CIP application] and determine that the resistors in the former perform a similar function to the resistors in the latter. Rather, the issue is whether a person skilled in the art would understand from the earlier application alone, without consulting the new matter in the ’250 patent, that the inventor had possession of the claimed ‘other circuit’ in 1992 when the ’323 application was filed.” *Id.* at *14.

As a second interesting procedural issue, the Federal Circuit also rejected the patentee’s attempt to introduce post-judgment developments of a reissue proceeding to strengthen its case for claiming § 120 priority.²⁷ During the pendency of the appeal in the Federal Circuit, and well after the district court had issued its final judgment invalidating the claims, the patentee obtained a reissue patent from the PTO that confirmed the patentability of the claim the district court invalidated. Rationalizing that later developments in the PTO cannot serve as an avenue to

²⁶ *Id.* at 1306. See generally, APD § 16:31.50 Presumptions as to Sufficiency of Prior Disclosure.

²⁷ See generally, APD § 43:79 Introducing Post-Judgment Ruling Regarding Validity.

review and undo what transpires in the district courts, the Federal Circuit refused to consider the reissue proceedings. The court explained:

An appellate court ordinarily declines to consider new evidence or argument not previously presented to the trial forum whose judgment is under review. We think that, in a circumstance such as this, judicial efficiency and the policy of repose counsels against our re-weighing of the evidence to add an additional deference-thumb to the scale, or, even more disruptive, our asking the trial court to reopen the entire invalidity question to reweigh the intangible worth of additional deference. . . . [W]hen dealing with the intangible worth to be accorded an administrative agency's decision making, the judicial process cannot be held hostage to the timing of either the agency or the litigants who have invoked the agency's further review.

Id. at *12. Accordingly, the Federal Circuit effectively instructed litigants that to the extent they wish to have the PTO expertise accounted for in a litigation, they should petition the district court for a stay of the litigation so that relevant aspects of the PTO proceedings can be made part of the record in the litigation because "absent [a stay], and absent extenuating circumstances . . . , the case must be decided on the record the litigants present for appeal." *Id.* at *12.

Enablement of Prior Art Patents

For a prior art patent to anticipate a later-claimed invention, the prior art patent must provide an enabling disclosure of at least one embodiment that falls within the scope of the later-claimed invention.²⁸ Federal Circuit law further holds that a patentee seeking to rebut an anticipation challenge by arguing that prior art does not enable the claimed invention bears the burden of proof on the issue of enablement. Hence, a presumption of enablement applies to all prior art patents.²⁹

²⁸ See generally, APD § 17:46 Prior Art Reference Must Provide an Enabling Disclosure of the Claimed Invention; see also APD § 17:48 Required Scope of Enablement.

²⁹ *Amgen, Inc. v. Hoechst Marion Roussel, Inc.*, 314 F.3d 1313, 1354-55 (Fed. Cir. 2003). The presumption is not based on the presumption of validity afforded by § 282, but on giving the same procedural treatment to prior art in the district court as done in the Patent Office. APD § 17:51 Patentee Must Prove Reference is not Enabling. Interestingly, the Federal Circuit's rationale in *Amgen* for applying a presumption of enablement to prior art patents appears to apply equally to any prior art printed publication. *Id.*

The Federal Circuit considered the enablement requirement of prior art patents and the presumption of enablement in *Impax Labs, Inc. v. Aventis Pharmaceuticals, Inc.* No. 2007-1513, 2008 WL 4447096 (Fed. Cir. Oct. 3, 2008). In *Impax*, the patentee claimed the use of a drug called riluzole to treat amyotrophic lateral sclerosis (ALS or Lou Gehrig's disease). A prior art patent disclosed riluzole, but there was an issue as to whether the prior art patent enabled the use of riluzole to treat ALS. The district court found that the prior art patent did not enable the claimed invention.³⁰ It further found that the prior art patent disclosed "hundreds to thousands of different compounds" that could treat numerous medical conditions, but nothing in the prior patent directed one skilled in the art to recognize that riluzole can be used to treat ALS. Consequently, the district court concluded that undue experimentation would have been needed to arrive at the claimed invention based on the prior art patent.

On appeal the Federal Circuit instructed that whether a prior art reference provides an enabling disclosure of a later-claimed invention presents "a question of law based on underlying factual findings." *Id.* at *2. Accordingly, it will review a district court's ultimate ruling on enablement of a prior art reference under the clear error standard. Finding no clear error in the district court's analysis, the Federal Circuit affirmed. The court noted that the prior art patent failed to provide any working examples of the claimed invention and only provided broad and general dosage guidelines "without sufficient direction or guidance to prescribe a treatment regimen." *Id.* at *3. Additionally, nothing in the prior art patent "would have led one of skill in the art to identify riluzole as a treatment for ALS." *Id.*

Falling back on an alleged procedural irregularity, the accused infringer argued that the district court's failure to explicitly acknowledge the presumption that a prior art patent provides an enabling disclosure required reversal of its judgment. Rejecting the attempt to elevate form over substance, the Federal Circuit held that since the district court properly placed the burden on the patentee to prove the prior art patent lacked an enabling disclosure of the claimed invention, and the patentee came forward with persuasive evidence that met its burden, the district court "did not need to specifically articulate its correct burden-

³⁰ 496 F. Supp. 2d 428, 433 (D. Del. July 19, 2007).

shifting framework.” *Id.*

Reverse Payments Not an Antitrust Violation

The Federal Circuit addressed the antitrust aspects of reverse-payment settlements in patent infringement actions in *In re Ciprofloxacin Hydrochloride Antitrust Litig.*, No. 2008-1097, 2008 WL 4570669 (Fed. Cir. Oct. 15, 2008). There a brand-name drug manufacturer settled an ANDA infringement litigation by paying the generic drug manufacturer a sum of money in exchange for the generic converting its Paragraph IV ANDA application to a Paragraph III application, thereby refraining from entering the market until the patent expired, and agreeing not to further challenge the validity of the patent. Consumer groups alleged that the settlement ran afoul of the antitrust laws.

Affirming a summary judgment of no antitrust violation, the Federal Circuit considered whether the agreement “restrict[ed] competition beyond the exclusionary zone of the patent.” *Id.* at *9. For the particular agreement, it concluded that the resulting anticompetitive effects of the settlement were the same as what would have transpired if the patentee had continued exercising its patent rights. Accordingly, under a rule of reason analysis, the settlement did not violate the antitrust laws. The court explained that “[s]ettlement of patent claims by agreement between the parties—including exchange of consideration—rather than by litigation is not precluded by the Sherman Act even though it may have some adverse effects on competition.” *Id.* at *7. The court also instructed that no antitrust violation generally arises from including a provision in a settlement agreement that prohibits the accused infringer from challenging the validity of the patent. *Id.* at *7 & *10.

ADMINISTRATIVE HAPPENINGS

PPH Pilot Program Begins in Denmark

Effective November 3, 2008, the U.S. Patent and Trademark Office (USPTO) and the Danish Patent and Trademark Office (DKPTO) have agreed to implement a one-year trial cooperation initiative called the Patent Prosecution Highway (PPH). Under the PPH, an application containing at least one claim determined to be allowable in the Office of first filing (OFF) may request that the Office of second filing (OSF) accelerate the examination of the corresponding application in the OSF in view of the search and examination results from the OFF. Provisional applications, plant and design applications, reissue applications, reexamination proceedings, and applications subject to a secrecy order are excluded from participating in the PPH. Currently, the USPTO also has a full-time PPH program with the Japan Patent Office and pilot PPH programs with the United Kingdom Intellectual Property Office, the Canadian Intellectual Property Office, the Korean Intellectual Property Office, and the European Patent Office.

FIRM HAPPENINGS

Bob’s treatise, *Annotated Patent Digest*, was quoted in *Phillip M. Adams & Assoc., L.L.C. v. Dell Inc.*, 2008 WL 4569895, *2 (D. Utah Oct. 9, 2008), to support the court’s ruling that no right of contribution exists under the Patent Act or federal common law. Earlier this year the APD was also cited in *Renhcol Inc. v. Don Best Sports*, 548 F. Supp. 2d 356, 361 n.3 (E.D. Tex. April 28, 2008).

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