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Patents / Post-Grant Procedures

USPTO Releases Proposed Rules and Fees for Post-Grant Procedures

by Bernard Codd

The U.S. Patent and Trademark Office (USPTO or PTO) recently released proposed rules and fees for the post-grant procedures authorized by the America Invents Act (AIA). The new post-grant procedures, which will take effect on September 16, 2012, include supplemental examination, *inter partes* review, post-grant review and a transitional program for covered business method patents. In addition, the USPTO also proposed significantly increased fees for *ex parte* reexamination.

Supplemental Examination

Supplemental examination can only be requested by the patent owner. Under the proposed rules, each request for supplemental examination would be limited to 10 items of information. In addition, each request must include an identification of each aspect of the patent to be examined; identification of each issue raised by each item of information; a separate detailed explanation for each identified issue; an explanation of how each item of information is relevant to each aspect to be examined and of how each item of information raises each of the identified issues. The patent owner must submit a copy of each item of information and a summary of the relevant portions of any submitted document over 50 pages in length.

Within three months following the filing date of the request, the proposed rules contemplate that the USPTO will determine whether a substantial new question of patentability affecting any claim of the patent is raised by the items of information and issue a supplemental examination certificate. If a substantial new question of patentability is raised, an *ex parte* reexamination will be ordered. The proposed rules also contemplate that *ex parte* reexamination subsequent to supplemental examination proceeds in the same manner as a regular *ex parte* examination, with the exception that the patent owner does not have the right to file a patent owner's statement. In addition to printed publications, items of information that may be considered in a supplemental examination include transcripts of audio and video recordings, as well as affidavits and declarations.

Inter Partes Review

Inter partes review will essentially replace *inter partes* reexamination starting September 16, 2012. No requests for the present *inter partes* reexamination will be accepted after September 15, 2012. A petition for *inter partes* review may be filed by a person who is not an owner of the patent after nine months from the grant of a patent or issuance

of a reissue of a patent or, if a post-grant review is instituted, from the date of termination of the post grant review, whichever is later. *Inter partes* review will be limited to §§ 102 or 103 issues and only prior art in the form of patents or printed publications will be considered. Under the proposed rules, the petition must identify the real party or parties of interest; identify each claim challenged; give the grounds on which the challenge is based; and show the evidence that supports the grounds for the challenge. The evidence, copies of patents and printed publications in support of the petition and any affidavits or declarations (e.g., of experts) must accompany the petition. Under the proposed rules, the patent owner has the right to file a preliminary response to the petition explaining why no *inter partes* review should be instituted. Within three months after receiving the preliminary response (or the expiration of the preliminary response period) the proposed rules contemplate that the USPTO will determine whether there is a reasonable likelihood that the petitioner would prevail with respect to at least one of the claims challenged, (i.e., the statutory standard for initiation of a proceeding). If the threshold is met, an *inter partes* review will commence.

As envisioned by the rules, an *inter partes* review would be conducted before a panel of at least three judges of the Patent Trial and Appeal Board (the Board), and the petitioner would have the burden of proving unpatentability by a preponderance of the evidence. Under the new statute (and the proposed rules) an *inter partes* review may not be instituted if, before the date the petition for review is filed, the petitioner or real party in interest filed a civil action challenging the validity of a claim of the patent. However, a counterclaim challenging the validity does not constitute a civil action challenging the validity for the purposes of requesting *inter partes* review. Similarly, an *inter partes* review may not be instituted if the petition is filed more than one year after the petitioner, the real party in interest or privy of the petitioner is served with a complaint alleging infringement of the patent. Under the preclusion rule of the AIA, after the conclusion of an *inter partes* review, the petitioner may not subsequently request a proceeding before the USPTO on any ground that the petitioner could have raised during *inter partes* review. During the *inter partes* review, the patent owner may file one motion to amend the patent, such as cancellation of any challenged patent claim, or propose a reasonable number of substitute claims (for a challenged claim). However, an amendment may not enlarge the scope of claims. As mandated by the AIA, a final determination in an *inter partes* review would normally issue within one year after the date on which the USPTO instituted the review.

Post-Grant Review

Under the AIA, a petition for post-grant review may be filed by a person who is not an owner of the patent no later than nine months after the date of the grant of the patent or the issuance of a reissue patent. However, no petition may request post-grant review for a claim in a reissue patent that is identical to or narrower than a claim in the original patent if nine months have elapsed from the grant of the original patent. The grounds for seeking post-grant review include any grounds that could be raised under § 282(b)(2) or (3), e.g., §§ 101, 102, 103 and 112 (except for

best mode). Under the proposed rules, the petition must identify all the real party or parties in interest and (as with the *inter partes* review rules summarized above) must identify each claim challenged and the grounds on which the challenge is based. The evidence that supports the challenge must be attached. The patent owner can file a preliminary response to the petition setting forth reasons why no post-grant review should be instituted. The patent owner cannot present any new testimony evidence in a preliminary response. However, such evidence may be presented during the trial phase. The proposed rules contemplate that within three months after receiving the preliminary response to the petition or the expiration of the preliminary response period the USPTO will determine whether there is a reasonable likelihood that the petitioner would prevail with respect to at least one of the claims challenged, and if so, a post-grant review will commence. Under the proposed rules, a post-grant review will be conducted before a panel of at least three judges of the Board, and the petitioner has the burden of proving unpatentability by a preponderance of the evidence. Similar to a *inter partes* review, a post-grant review may not be instituted if, before the date the petition for review is filed, the petitioner or real party in interest filed a civil action challenging the validity of a claim of the patent. However, under the AIA, a counterclaim challenging the validity does not constitute a civil action challenging the validity for the purposes of requesting post-grant review. The patent owner has similar rights to amend as explained above for *inter partes* review.

Business Method Patents (BMPs)

The transitional program for covered business method patents applies to issued patents that claim a method or corresponding apparatus for performing data processing or other operations used in the practice, administration or management of a financial product or service, except that the term does not include patents for technological inventions. The program is available for those who have been sued for infringement of the patent or charged with infringement under the patent. According to the (BMPs) proposed rules, determining whether a patent is for a technological invention will be considered on a case-by-case basis. The key factors include whether the claimed subject matter as a whole recites a technological feature that is novel and unobvious over the prior art and solves a technical problem using a technical solution. A person filing a petition for a covered business method patent review will have to identify each claim being challenged, the specific grounds on which each claim is challenged, how it is believed the claims are to be construed and why the claims as construed are unpatentable. The evidence relied upon, with a citation of the evidence by its exhibit number, must be provided. A petitioner may request the cancellation as unpatentable of one or more claims of a patent on any ground that could be raised under § 282(b)(2) or (3). The standard for determining whether a claim is unpatentable is preponderance of the evidence, and claims are given their broadest reasonable construction in light of the specification during the proceeding. This transitional post-grant review would be conducted before at least a three-judge panel of the Board. The transitional proceeding for BMPs expires September 16, 2020.

USPTO Fees

The USPTO fees for the post-grant procedures are steep and there are no discounts for small or micro-entities. The fee for filing a request for *ex parte* reexamination would increase from \$2,520 to \$17,750. The proposed fee for requesting supplemental examination is \$5,180 plus \$16,120 for conducting an *ex parte* reexamination ordered as a result of the supplemental examination proceeding. The *ex parte* reexamination fee would be refunded if a reexamination is not ordered as a result of the supplemental examination, but the entire fee must be paid at the time of requesting supplemental examination. A petition requesting *inter partes* review would cost \$27,200 for review of 20 or fewer claims, \$34,000 for review of 21 to 30 claims, \$40,800 for review of 31 to 40 claims, \$54,400 for review of 41 to 50 claims, \$68,000 for review of 51 to 60 claims and an additional \$27,200 for review of each additional group of 10 claims. The proposed fees for filing a petition for post-grant or covered business method patent review would be \$35,800 for review of 20 or fewer claims, \$44,750 for review of 21 to 30 claims, \$53,700 for review of 31 to 40 claims, \$71,600 for review of 41 to 50 claims, \$89,500 for review of 51 to 60 claims and an additional \$35,800 for review of each additional group of 10 claims.

While noting that the USPTO's rationale for the high patent office fees is the goal of reducing patent pendency and that the USPTO should recover 100 percent of its costs through fees, Q. Todd Dickinson, the executive director of the American Intellectual Property Law Association (AIPLA), offered his observation that pendency reduction "must be balanced with the costs of entering into and participating in the system; it should not interfere with the primary goal of reform: pursuit of quality improvement. ... If pendency reduction results in either keeping inventors from using the system, or decreasing the quality of the rights they receive, the value of pendency reduction is undermined."

Public Comments

The deadline for filing written comments on the proposed rules, which preferably should be sent by e-mail, are March 26, 2012 for supplemental examination; and April 10, 2012 for *inter partes* review, post-grant review and transitional program for covered business method patents.

Practice Note: Clients considering *ex parte* or *inter partes* reexamination should file their requests by September 15, 2012 to avoid the large fee increases.

Patents / Prior Art

Patentee's Expert's Testimony Regarding 40-Year-Old Reference Does Not Overcome the Reference Disclosure

by Katherine Schon

After finding that a French patent published 40 years earlier disclosed certain limitations in the claim-at-issue in the asserted patent, the U.S. Court of Appeal for the Federal Circuit reversed a district court's denial of judgment as a matter of law (JMOL) of invalidity, vacated its summary judgment of infringement and remanded the case for judgment for the defendant. *Krippelz v. Ford Motor Co.*, Case No. 11-1103 (Fed. Cir., Jan. 27, 2012) (Prost, J.).

Plaintiff Jacob Krippelz, Sr., sued Ford Motor for infringement of his patent directed to a downward-shining lamp attached to a car's side-view mirror used to alert other drivers of the car's presence during inclement weather. After the district court granted summary judgment of infringement for the plaintiff, the case proceeded to trial on validity. After losing on the issue before the jury, Ford filed a motion for JMOL seeking a ruling of invalidity based on the Dubois prior art, which the district court denied. The district court found that the reference did not anticipate the claim-at-issue as it failed to disclose "a conical beam of light" and a lamp "adjacent to the window" as required by the claim.

The district court reasoned that the jury's verdict was sustainable because of the "conical beam of light" limitation. The district court's analysis was based on the plaintiff's expert testimony on the Dubois prior art. The plaintiff's expert testified that based on his measurements of the angles in the DuBois lamp diagram, light from the lamp would scatter so as not to produce the conical beam of light. Further, even if it was a beam, it was not necessarily "conical" as it was impossible for a conical beam of light to illuminate a rectangle as taught by DuBois. Thus, (the plaintiff's expert contended) a conical beam of light was unlikely to be effective to accomplish Dubois' purpose. As for the lamp "adjacent to the window" limitation, the expert testified that while based on the figures in DuBois the light source "might be" adjacent, it was certainly not "clearly adjacent." The district court found the jury's verdict sustainable for this reason as well. Ford appealed.

On appeal, the Federal Circuit, after noting that a conclusory statement by an expert cannot be used to create a fact issue from the prior art, found the patent owner's expert statements as to the "conical" limitation were too conclusory to provide the substantial evidence necessary to sustain the jury verdict. His statements taken as a whole indicated that he failed to account for entire DuBois disclosure and sought to raise "teaching away" issues that had no place in an anticipation analysis. To the contrary, the Court found that DuBois disclosed a "headlight," which the Court

concluded taught the necessary “beam of light.” Second, the Court found that DuBois did not require that the rectangle be lighted only with non-conical light beams. Rather, DuBois disclosed that the rectangle could be illuminated by more than one light source and many of its figures depict triangles of light which, without any indication of disavowal, were most naturally interpreted as two-dimensional depictions of light cones. Addressing the expert’s statements regarding the lamp “adjacent to the window,” the Federal Circuit again disagreed with patentee’s expert as there was no question that a person of ordinary skill, reviewing the DuBois figures, would understand them to show mounting the lamp adjacent to the side-view window. In coming to its decision, the Federal Circuit emphasized that that the opinions of an expert cannot substitute the actual prior art disclosure.

Patents / Hatch-Waxman / ANDA

ANDA Allegation May Confer Subject-Matter Jurisdiction, But Not State a Claim upon which Relief Can Be Granted

by Heather Morehouse Ettinger, Ph.D.

Reviewing a patent infringement action arising under the Hatch-Waxman 35 U.S.C. § 271(e)(2) framework, but based on method-of-use claims not covering the indications for which the defendants were seeking U.S. Food and Drug Administration (FDA) approval, the U.S. Court of Appeals for the Federal Circuit reversed the district court’s finding of lack of subject-matter jurisdiction, but upheld the district court’s finding that the patent owner to state a claim upon which relief could be granted. *AstraZeneca Pharmaceuticals LP v. Apotex Corp.*, Nos. 11-1182; -1183; -1184; -1185; -1186; -1187; -1188; -1189; -1190 (Fed. Cir., Feb. 9, 2012) (Lourie, J.). The Federal Circuit also affirmed the district court’s conclusion that those claims premised on presumed future labeling amendments (that would be directed to claimed methods-of-use) were not ripe for adjudication.

Seeking FDA-approval for generic versions of AstraZeneca’s cholesterol-lowering drug CRESTOR®, while aiming to avoid infringement of the two Orange Book listed method-of-use patents, several generic companies, including Apotex, sought Abbreviated New Drug Application (ANDA) approval for non-patented indications of this blockbuster medication. Accordingly, rather than filing Paragraph IV certifications with respect to the two method patents asserted in this suit, the defendants made statements under 21 U.S.C. § 355(j)(2)(A)(viii), or so-called Section viii statements, indicating that their ANDAs excluded all uses claimed in the Orange-Book-listed patents. AstraZeneca nevertheless filed patent infringement suits against the defendants under 35 U.S.C. § 271(e)(2), asserting infringement by alleging that off-label prescribing would nevertheless occur and would be directed to patented uses. AstraZeneca also alleged that the FDA would presumably ultimately require amendments to defendants’ labels that would be directed to patented uses.

On the issue of subject-matter jurisdiction, the Federal Circuit concluded that the district court had erred in finding AstraZeneca's claims failed due to lack of subject-matter jurisdiction. Rather, the Federal Circuit explained that under the low threshold to obtain subject-matter jurisdiction (that it had set forth in *Allergan v. Alcon Labs*) AstraZeneca's allegation that the defendants' ANDAs filings infringed their listed patents under § 271(e)(2) was sufficient to convey subject-matter jurisdiction under this "highly artificial act of infringement" created by Congress.

However, the Federal Circuit agreed with the district court that AstraZeneca had failed to state a claim upon which relief could be granted, because seeking approval for uses not covered by a patent does not constitute an act of infringement. The Court, citing the plain language of the statute and its decision in *Warner-Lambert v. Apotex (IP Update, Vol. 6, No. 2)*, rejected AstraZeneca's interpretation of § 271(e)(2) to encompass infringement based on the filing of an ANDA for non-patented uses of the drug. The Court rejected AstraZeneca's argument that "market realities" would dictate that CRESTOR would be prescribed for unpatented uses. The Court concluded that such speculative arguments, if successful, would effectively bar generic manufacturers from entering the market, noting that even if the patented off-label use were to occur, it would be beyond the scope of § 271.

Finally, the Federal Circuit upheld the district court's conclusion that AstraZeneca's allegation that the FDA will, in the future, require amendments to defendants' labels to include patented indications as not ripe for adjudication, again citing to *Warner-Lambert*.

Patents / Inventorship

Contribution Toward Method for Making a Chemical Compound Constitutes Conception of Invention Directed to Compound

by Charles J. Hawkins

The U.S. Court of Appeals for the Federal Circuit affirmed a lower court's ruling that inventorship of a patent directed to a chemical compound should be corrected to include a putative inventor who contributed to the method of making that compound. *Falana v. Kent State Univ.*, Case No. 11-1198 (Fed. Cir., January 23, 2012) (Linn, J.).

The plaintiff Dr. Olusegun Falana filed a lawsuit against Kent State University and the inventors named on the face of a patent directed to chemical compositions. In the lawsuit Falana sought correction of the inventorship of the patent under 35 U.S.C. §256. Falana alleged that he was omitted as a co-inventor of the patent based on his work leading up to the filing of the patent applications, even though he left the employ of Kent State prior to that time.

The patent claims compounds meant to improve the performance of liquid crystal displays. The patent does not claim methods for making those compounds. Falana developed a protocol utilized to synthesize the inventive compounds. Based on this work, Falana alleged that he should be a named inventor on the patent. Following a bench trial, the district court agreed with Falana and ordered the U.S. Patent and Trademark Office to issue a certificate of correction adding Falana as a named inventor. Kent State appealed.

On appeal, Kent State did not challenge the lower court's findings of fact, but instead only challenged the district court's legal determination that Falana was a joint inventor. In particular, Kent State argued that Falana's work on a protocol to synthesize a compound is insufficient to make him a co-inventor of the patent claims because all of the claims are directed to the chemical compositions themselves, not the methods for making them.

The Federal Circuit considered the issue of whether a putative inventor who envisioned the structure of a novel chemical compound and contributed to the method of making that compound is a joint inventor of a claim covering that compound and concluded that the putative inventor was, in fact, a co-inventor.

The Court explained that the conception of a chemical compound necessarily requires knowledge of a method for making that compound. Where the method requires more than the exercise of ordinary skill in the art, the Court stated, the discovery of that method is as much a contribution to the compound as the discovery of the compound itself. Accordingly, the Court reasoned that a putative inventor who envisioned the structure of a novel genus of chemical compounds and contributes the method of making that genus contributes to the conception of that genus.

Patents / Exhaustion

Territoriality Requirement of Patent Exhaustion Doctrine Survived Supreme Court Decision in *Quanta*

by Alexander Ott

The U.S. Court of Appeals for the Federal Circuit has affirmed a decision by the International Trade Commission (ITC) imposing a penalty of more than \$11 million on a printer cartridge manufacturer and two of its U.S. subsidiaries for their continued importation and sales of refurbished ink cartridges subject to exclusion and cease and desist orders. *Ninestar Technology Co., Ltd. v. International Trade Commission*, Case No. 09-1549 (Fed. Cir., Feb. 8, 2012) (Newman, J.). The Federal Circuit held that its ruling in *Jazz Photo Corp. v. ITC*, (*IP Update* Vol. 4, No. 9 and Vol. 8, No. 1) had not been overruled by the Supreme Court's opinion in *Quanta Computer v. LG Elecs.*, (*IP Update*, Vol. 12, No.1) and that the patent exhaustion doctrine still requires (for exhaustion) that a first sale take place in the United States.

After the ITC issued general exclusion, limited exclusion, and cease and desist orders directed to ink cartridges imported by Ninestar and its subsidiaries that had been found to infringe nine U.S. patents held by Epson, Ninestar continued to import and sell the infringing ink cartridges, filing false affidavits of compliance with the ITC. After Epson brought enforcement proceedings, the administrative law judge (ALJ) determined that Ninestar had committed “egregious” violations of the orders and issued a civil penalty of \$20 million. (This constituted the maximum penalty calculated at \$100,000 per day of violation. The ITC later reduced the penalty to \$11 million, an amount they concluded was commensurate with Epson’s lost sales.

Ninestar appealed to the Federal Circuit, claiming that the acts did not constitute infringement under the patent exhaustion doctrine. Ninestar argued that the Federal Circuit’s holding in *Jazz Photo*, that a first sale must occur in the United States to give rise to patent exhaustion, had been overruled by the Supreme Court in *Quanta*, which held that a single licensed sale exhausts the monopoly rights to the article sold. Thus Ninestar argued that its sale of refurbished ink cartridges could not constitute infringement because the original ink cartridges had already been sold, albeit outside of the United States. The Federal Circuit disagreed and held that since *Quanta* concerned products first sold in the United States, the holding had no effect on the patent exhaustion’s territoriality requirement.

Ninestar also attacked the ITC itself as “an unconstitutional monstrosity” and argued that the penalty was so punitive that it constituted a criminal penalty requiring a trial by jury. The Federal Circuit rejected this argument as well, holding that the ITC enforces new rights “unknown to the common law” and thus not within the purview of the Seventh Amendment.

Patents / Claim Construction

Adding “Computer” to Software Method Does Not Make It Patentable

by Hasan Rashid

Adding to the recent string of subject-matter eligibility patentability cases (35 U.S.C. § 101), the U.S. Court of Appeals for the Federal Circuit upheld the invalidation of an invention directed to automating credit applications for car loans. *Dealertrack, Inc. v. Huber*, Case Nos. 09-1566; -1588 (Fed. Cir., Jan. 20, 2012) (Linn, J.) (Plager, J., concurring-in-part and dissenting-in-part).

At issue were patents relating to automating the process of receiving credit application data from a car dealer, processing and conforming that data according to bank forms for credit loans, forwarding the conformed loan applications to selected banks and receiving answers from the selected banks. In the relevant claims, this computer automation is recited in the preamble as “[a] computer aided method of managing a credit application.”

Relying on the Federal Circuit decision *CyberSource* (see *IP Update*, Vol. 14, No. 9), the district court ruled that the claims did not recite patent-eligible subject matter under § 101. The court concluded that the computer recited in the claims was not specially programmed and was nothing more than a general-purpose computer to be programmed in some unspecified manner. Dealertrack appealed, arguing that the “computer-aided” limitation in the preamble sufficiently limits the claims to an application of the idea for facilitating credit applications.

The Federal Circuit disagreed. The Court distilled the claim as reciting a basic concept of processing information through a clearinghouse, akin to the “basic concept of hedging” in *Bilski*. (see *IP Update*, Vol. 13, No. 7) Citing *CyberSource*, the Court distinguished its recent *Ultramercial* decision (see *IP Update*, Vol. 14, No. 10), which found a practical application with concrete steps requiring an extensive computer interface. In contrast to the claims at issue in *Ultramercial*, the Court found that Dealertrack’s claims recite only that “the method is ‘computer aided’ without specifying any level of involvement or detail.”

Judge Plager dissented, concluding that the Court should decline to analyze subject-matter patentability issues in the first place, where other another basis—§ 102 or § 103—could have been used. Judge Plager would have the Court decide § 101 patentability only when necessary, in accordance with efficient judicial process, to avoid “foray into the jurisprudential morass of § 101 unless absolutely necessary.” In a responsive footnote, the majority cited the Supreme Court’s *Bilski* decision as characterizing § 101 eligibility as a “threshold test.”

Other points of interest include the Court’s interpretation of “i.e.” and “that is” phrases to introduce examples, not lexicographical definitions, and the Court’s disagreement with the district court that the claimed “communication medium” excludes the internet.

Practice Note: The ability to effectively claim computer-implemented methods is getting more unsettled. The notion that simply adding a computer to render software steps patentable has been dispelled. Practitioners should strive to disclose (and claim) specific computer functionality to fall under the *Ultramercial* holding if claiming a computer-implemented process.

Patents / Validity

Alternative Basis for Invalidity Waived When Not Raised Before District Court

by Alesha M. Dominique

The U.S. Court of Appeals for the Federal Circuit reversed a district court’s grant of a motion for summary judgment of invalidity where the district court misconstrued the claims at issue, and based on that erroneous construction, held

that claims were indefinite for claiming both an apparatus and method steps. *HTC Corp. v. IPCom GmbH & Co., KG*, Case No. 11-1004 (Fed. Cir., Jan. 30, 2012) (O'Malley, J.). However, the Federal Circuit declined to overturn the district court's denial of summary judgment on an alternative indefiniteness claim because the alleged infringer never raised the argument before the district court.

The patent at issue covers a handover in a cellular telephone network wherein a mobile station switches from one base station to another. The parties disagreed as to whether it was the "mobile station" or the "network" that implemented the six functions enumerated in the claims. This was important because if the mobile station implemented the functions, the claims would be indefinite because they would be improper hybrid claims, requiring both an apparatus—*i.e.*, the mobile station—and the recited method steps—*i.e.*, the six functions enumerated in the claims. If the network performed the functions, the claims were not indefinite because the claims merely described the network environment in which the mobile station must be used. The district court concluded that the mobile station implemented the enumerated functions, and therefore found that the claims were indefinite. IPCom appealed.

Reversing the district court's finding, the Federal Circuit explained that the district court misconstrued the claims by its failure to comply with the claim construction principles. Specifically, the Federal Circuit found that the district court did not adequately examine the claims set down in *Phillips (IP Update, Vol. 8, No. 10)* and failed to refer to the specification to understand the claims, which would have confirmed that the network performed the enumerated functions. The Federal Circuit acknowledged that the district court correctly considered the prosecution history, but concluded that the district court placed too much weight on the applicant's use of the word "process" to distinguish the claimed invention from a prior art reference cited by the examiner. The Court finally concluded that when properly construed, the claims were definite.

The Federal Circuit rejected, as an alternative basis for invalidity, HTC's argument that the specification failed to disclose corresponding structure sufficient to satisfy (under § 112, ¶ 2) the means-plus-function claim elements (under § 112, ¶ 6). The Federal Circuit concluded that while the district court erred in finding that a processor and transceiver *alone* supplied sufficient structure, HTC failed to argue before the district court that the specification did not disclose an *algorithm* sufficient to transform the processor and transceiver into a special-purpose computer designed to implement the claimed functions. The Federal Circuit stated that the district court failed to analyze the existence and adequacy of an algorithm because HTC never asked it to do so and thus failed to preserve the issue on appeal.

Patents / Injunctions

No Independent Analysis—No Preliminary Injunction

by Lauren Martin

Addressing the issue of whether a preliminary injunction should be stayed pending appeal if the district court neglected to consider all defenses raised, the U.S. Court of Appeals for the Federal Circuit (in a non-precedential order) instead vacated the preliminary injunction because in granting it, the district court failed to adequately address the defendant's obviousness arguments. *Sciele Pharma Inc. v. Lupin Ltd.*, Case Nos. 12-1118; 09-0037 (Fed. Cir., Feb. 6, 2012) (Moore, J.).

In this case, Lupin appealed the district court's grant of a preliminary injunction and moved for a stay of the injunction pending appeal. Instead of simply granting a stay, the Federal Circuit vacated the preliminary injunction, noting that the district court had failed to make adequate findings of fact and conclusions of law to support the injunction. The Federal Circuit explained that the district court's preliminary injunction order did not adequately address Lupin's obviousness defense. Further, in its subsequent order denying Lupin's request for a stay of the injunction, the district court again failed to properly address Lupin's obviousness defense. Specifically, instead of providing findings of fact and conclusions of law, the district court merely explained that Lupin relied on prior art that had been before the examiner to support its obviousness defense. On that basis, the district court concluded that Lupin failed to raise a substantial question that its obviousness argument would be likely to succeed. The Federal Circuit explained that even if the prior art was before the examiner during prosecution, that cannot be the only reason to dismiss an obviousness defense. Rather, district courts must "independently" assess the defense, giving regard the appropriate burdens of proof.

In vacating the preliminary injunction, the Court explained that the "district court's failure to make adequate findings of fact and conclusions of law as to Lupin's obviousness challenge prevents this court from engaging in meaningful review of that issue" and that if a district court fails to make proper findings of fact or conclusions of law, the "normal course is to vacate the district court's decision and remand the matter for proper analysis."

Patents / Inventorship / Willfulness

A Gripping (Graft) Saga Draws to a Close

by Paul Devinsky

In a bruising patent infringement dispute centered on blood vessel grafts that reaches back over three decades in time (to the presidency of Gerald Ford), a deeply divided panel of the U.S. Court of Appeals for the Federal Circuit, over an eloquent dissent, awarded C. R. Bard almost \$400 million in damages at the expense of W. L. Gore and Associates. *Bard Peripheral Vascular, Inc. v. W. L. Gore and Associates, Inc.*, Case No. 10-1510 (Fed. Cir., Feb. 10, 2012) (Gajarsa, Sr. J.) (Newman, J., dissenting). In the words of the majority, it was drawing “the final curtain of the saga.”

After a Gore employee (Cooper) sent Goldfarb a synthetic tubes for testing as possible material for vascular grafts, Goldfarb conducted animal experiments, found the material worked well as a graft and (in 1974) applied for a patent. Litigation over inventorship and ownership ensued, with Goldfarb being awarded ownership after one of the longest, most contentious patent interferences in history (that occasioned two trips to the Federal Circuit).

Afterward (in 2003) Goldfarb (and its licensee, Bard) filed suit against Gore for patent infringement, winning a jury award of \$185 million, on which the district court awarded enhanced damages and attorneys’ fees, bringing the total award to almost \$400 million. Although the district court did not grant Bard an injunction, it did impose (on Gore) an ongoing royalty in the range of 12.5 percent to 20 percent (depending on the graft). Not surprisingly, Gore appealed.

In its appeal, Gore contended that the jury award on inventorship, anticipation, obviousness, written description and willful infringement were not supported by substantial evidence and that the district court abused its discretion regarding enhanced damages, attorneys’ fees, costs and ongoing royalties. The majority disagreed with Bard on all issues.

Inventorship

The jury found that Cooper and Goldfarb were not joint inventors (under § 116) and the district court, noting substantial evidence on which a reasonable juror could rely, refused Gore’s post-trial motion on the issue. Citing to the substantial evidence rule and the record of the long interference proceeding (“we are not free to ignore the long history of this case and these prior determinations...”) the majority agreed with the district court, finding that the “lack of communication [between Cooper and Goldfarb] and utter lack of understanding of what would make a successful graft is substantial evidence in support of the jury’s verdict implicitly that Cooper’s contribution was insignificant.”

Responding to the dissent, the majority explained “[w]e cannot revisit the facts anew, nor meander through the record and select facts like our favorite jelly beans, nor characterize the facts as the Bard would in a Shakespearean tragedy.”

Anticipation

The district court, in denying Gore’s post-verdict motion on anticipation, determined that a 1973 article (Matsumoto) was not anticipatory because it was not enabling. Citing to the clear and convincing evidence and substantial evidence standards, the Court reviewed the conflicting evidence on the reports of Matsumoto’s work and concluded that there was substantial evidence that Matsumoto did not meet the claimed intermodal distances, there was substantial evidence that Matsumoto was not enabling and finally that since Matsumoto had previously been considered by the U.S. Patent and Trademark Office (USPTO), under the Supreme Courts holding in *Microsoft v. i4i* (see *IP Update*, Vol. 14, No. 6) “the district court did not err” in denying Gore’s motion on anticipation.

Obviousness

Pointing to the “exhaustive” district court finding on the teachings of the prior art, the differences between the prior art and the claimed invention and the objective criteria of non-obviousness, together with the prior consideration by the USPTO of its consideration of the same prior art, the Court concluded district court did not err in denying Gore’s motion on obviousness.

Willful Infringement

The willfulness issues centered on whether Bard established “by clear and convincing evidence that [Gore] acted despite an objectivity high likelihood that its actions constituted infringement of a valid patent” and that this objectively defined risk ... was either known or so obvious that it should have been known to [Bard].” *In re Seagate*, see *IP Update*, Vol. 10, No. 8.

In this instance, the Court noted the 18-year-long interference between Cooper and Goldfarb and the result of it. The majority also concluded that the opinion of Gore’s counsel, introduced on the issue of willfulness and authored by Gore’s interference counsel’s law firm, “was not based on an objective perspective” and that the district court correctly “viewed the objectivity of the opinion as questionable.” Thus, the Court found “substantial evidence” had been presented to the jury to support “the finding that Gore knew or should have known of the objectivity high likelihood that its grafts infringed the ... patent.”

The Dissent

Judge Newman saw the case far differently than her colleagues. In her view, the district court erred on the issue of joint inventorship, and she viewed the long and tortured history of the litigation as “permeated by errors of fact and law, lies, inconsistencies and injustice.” In a stinging dissent, Judge Newman characterized the majority decision as holding “that a person who performs the requested test of a material that is supplied to him for testing for a specific use, can then, when the test is successful, patent the material he was provided, for the use for which it was tested.” As stated by Judge Newman, “[m]y colleagues on this panel endorse and defend these errors and improprieties, and now rule that Gore is the willful infringer of this improperly obtained patent on Gore’s produce and use.” Judge Newman chides the majority as misstating the findings of the 18-year-long interference as well as the two Federal Circuit decisions it spawned and distinguished the priority issue decided in the interference from the joint inventorship (§ 116) issue presented to the jury in the infringement case. As viewed by Judge Newman “[w]hether or not there was some form of joint invention that could include Goldfarb, Gore can not be excluded from the right to continue to do that which it disclosed to Goldfarb and had previously been published by Matsumoto and Volder.” The dissent, citing Shakespeare, summed up that “[a]t a minimum a new trial is required, least we make a ‘scarecrow of the law.’”

Patents / Interference

One Year Rule Bars Interference with an Issued Patent

by Daniel Bucca

The U.S. Court of Appeals for the Federal Circuit restated the proposition that if a patent applicant wants to initiate an interference with an issued patent, it must present an interfering claim prior to one year of the grant date of the patent. *Adair v. Carter*, Case No. 2011-1212 (Fed. Cir. Feb. 7, 2012)(Linn, J.). This requirement under 35 U.S.C. § 135(b)(1) is known colloquially as the “one-year rule”.

Section 135(b)(1) requires, in essence, that a claim which is for the same or substantially the same subject matter as a claim to an issued patent may not be made in an application unless such claim is made prior to one year from the date on which the patent was granted. Notwithstanding the seemingly strict language of § 135(b)(1), there is an exception to this statute.

As the Court explained, citing to the 1977 Court of Customs and Patent Appeals (CCPA) case of *Corbett v. Chisholm*, a limited exception to this one-year bar exists “where the copier had already been claiming substantially the same invention as the patentee” during the critical time period. That is, an applicant can add a claim to his application *after*

the one-year “critical date” and not run afoul of the one-year rule if the added “post-critical date claim” is not materially different from a claim or claims that was filed within the critical period.

Adair argued that the comparison as to whether its post-critical date claim is materially different should be viewed with respect to the claim in the patent rather than to its pre-critical date claims. Adair based its argument on *U. of California v. U. of Iowa Res. Found.* (Fed. Cir. 2006) and *In re Berger*, 279 F.3d 975 (Fed. Cir. 2002). The Federal Circuit disagreed, explaining that “the relationship between the post- and pre-critical date claims . . . is not only relevant, but dispositive of the § 135(b)(1) question.”

The Court further agreed with the Board of Patent Appeals and Interferences (Board) that there were material differences between Adair’s post- and pre-critical date claims. During prosecution, Adair added several limitations to the post-critical date claim to avoid examiner rejections. The Court held under *Festo (IP Update, Vol. 5, No. 5)* that there is a presumption that such amendments are material and therefore the post-critical date claims were presumptively materially different from the pre-critical date claims. Adair never rebutted this presumption and thus was barred from initiating an interference by the one-year rule.

Patents / Claim Construction

Federal Circuit Rattles Patent Owner by Vacating Vibrating Controller Claim Construction

by Stephen M. Yu

The U.S. Court of Appeals for the Federal Circuit vacated and remanded a district court’s stipulated judgment of non-infringement, entered following *Markman*, after finding that the district court improperly limited claim terms by departing from the plain and ordinary meaning rule. *Thorner v. Sony Computer Entertainment*, Case No. 11-1114 (Fed. Cir., Feb. 1, 2012) (Moore, J.).

The patent-at-issue generally relates to vibrating video game controller technology. The Federal Circuit reviewed the construction of two claim phrases: “flexible pad” and “attached to said pad.”

The district court determined that “attached to said pad” meant affixed to *only* the outside of the pad because the specification consistently used the term “attached” to indicate an external attachment, while consistently using the term “embedded” to indicate an internal attachment. Thorner appealed.

In reversing, the Federal Circuit explained that under *Phillips* (see *IP Update*, Vol. 8, No. 10), words of a claim are generally given their ordinary and customary meaning as understood by a person of ordinary skill in the art when the patentee neither acts as his own lexicographer and clearly sets out an intent to redefine a term, nor clearly disavows the full scope of the claim either in the specification or during prosecution.

Here, with reference to the term “attached,” the Court noted that simply because the patent referring to two terms as alternatives or disclosed embodiments that all use the term the same way is not sufficient to redefine a claim term. Further, to constitute disclaimer, there must be a clear and unmistakable disclaimer. In this instance, the Court concluded that the patentee’s consistent use of the term “attached” did not amount to either the lexicography exception or the disavowal exception and that the district court therefore deviated from the plain and ordinary meaning of the term “attached to said pad,” which can encompass either an internal or external attachment.

Next, the Federal Court reviewed the district court’s decision that the term “flexible” meant “capable of being noticeably flexed with ease.” The patent owner asserted that the term “flexible” simply meant “capable of being flexed.” The patentee argued that the specification states only that the “flexible pad” must be a “semi-rigid” structure and no requirement that it must be “noticeably flexed with ease.” The Court agreed and again concluded that the district court improperly limited the term “flexible pad.” Further, the Federal Circuit noted that the district court had analyzed the degree of rigidity or the degree of flexibility that would amount to a “semi-rigid” structure. However, such an investigation is only properly a part of the infringement analysis, not claim construction.

Practice Note: After *Markman*, if a party stipulates to non-infringement based on contested claim terms, it is not precluded from also appealing the construction for additional claim terms not identified within the scope of the stipulation. For example, in *Thomer*, the stipulation included only the disputed phrase “attached to said pad.” Sony argued that claim construction issues that are not implicated by the district court’s judgment cannot be reviewed on appeal, citing *Mass. Inst. of Tech. v. Abrams Software* (FC 2006) (see *IP Update*, Vol. 9, No. 5). However, the Federal Circuit disagreed and exercised its discretion in deciding whether the claim phrase “flexible pad” was properly construed—even when that phrase was not implicated by the district court’s judgment. The Federal Circuit reasoned “it would waste judicial resources to refuse to decide this issue on appeal.”

Patents / Claim Construction

A Surprise to No One; Means-Plus-Function Claim Elements Are Limited by Disclosed Embodiments

by D. Jeremy Harrison

The U.S. Court of Appeals for the Federal Circuit affirmed a district court's denial of judgment as a matter of law in connection with its construction of two claims from the two patents at issue and a jury determination that the claims of one of the patents were not infringed and that the claims of the other patent were both not infringed and invalid.

Mettler-Toledo, Inc. v. B-Tek Scales, LLC, Case Nos. 11-1173; -1200 (Fed. Cir., Feb. 8, 2012) (Moore, J.).

Plaintiff Mettler sued defendant B-Tek alleging infringement of two patents relating to technology for weighing objects, such as large commercial trucks. The patents describe a load cell that measures a force by utilizing a counterforce attached to a circuit board. The circuit board uses a bridge circuit to create an analog electrical signal corresponding to the object's weight. This analog signal is then converted to a digital signal by an analog-to-digital (A/D) converter and then sent to a microprocessor.

In relevant part, the independent claim at issue required the following means-plus-function limitations: "circuit means associated with said counterforce, said circuit means being responsive to external control," "means for producing digital representations of loads applied to said counterforce" and "means for transmitting said digital representations." For each of these limitations, the associated structure in the specification was limited to a single, preferred embodiment that included a multiple slope integrating A/D converter. The A/D converter in the accused product was a delta-sigma A/D converter. After the district court construed the claim element a limited to the disclosed corresponding structure and (structural) equivalents, a jury determined that the accused product did not infringe either literally or under the doctrine of equivalents.

The issue on appeal was whether the district court improperly construed the relevant claim terms to require a multiple slope integrating A/D converter rather than a more generic A/D converter, such as a delta-sigma A/D converter. Mettler argued that the district court erred by applying only the structure of the preferred embodiment into the claim, reasoning that because A/D converters are well-known in the art, there was no reason to limit the structure to only the multiple slope integrating A/D converter. Attempting to show that the specification disclosed both generic and multiple slope integrating A/D converters, Mettler also pointed out that figure 5 illustrated an "Analog to Digital Converter 100" and that the Abstract simply mentioned a generic A/D converter.

The Federal Circuit rejected these arguments since the specification only disclosed a single, preferred embodiment that only included the multiple slope integrating A/D converter. In every instance in which the specification referred to an “A/D converter,” it only referred to the preferred embodiment. Noting that structure disclosed in the specification is ‘corresponding’ structure only if the specification clearly links or associates that structure to the function recited in the claim, the Federal Circuit affirmed the district court’s holding.

Practice Note: If a patentee chooses to disclose a single embodiment, it runs a risk that any means-plus-function claim limitation will be limited to the single disclosed structure and equivalents thereof. Accordingly, when writing a means-plus-function claim, it is advisable to make certain that more than one structure is described in the written description and, if possible, name as many equivalents as possible.

Copyrights / Substantial Similarity

“Caught Up” Not Substantially Similar to “Caught Up”

by Rita Weeks

Assessing whether two songs titled “Caught Up” possessed enough similarities to survive a motion to dismiss, the U.S. Court of Appeals for the Second Circuit held that they were not in that the songs were lyrically and musically distinct. *Pyatt v. Raymond et al.*, Case No. 11-2507 (2d Cir., Feb. 6, 2012) (Wesley, J.; Hall, J.; Carney, J.).

Singer/songwriter Wadena Pyatt and her publishing company sued numerous defendants in the music industry, including well-known artists Usher and Alicia Keys. The plaintiffs claimed that Usher’s song “Caught Up” was copied from plaintiffs’ song of the same name. The plaintiffs alleged copyright infringement of their song lyrics and the sound recording.

The defendants moved to dismiss the complaint under Rule 12(b)(6). Concerning alleged infringement of the song lyrics, the district court found that no substantial similarity existed between any of the protectable elements of the plaintiffs’ lyrics and defendants’ lyrics. None of the lyrics were identical. The only similarity between the lyrics was that they shared the theme of relationships between men and women. Such themes are an idea, which is not protectable. Concerning alleged infringement of the sound recording, the court found the songs “entirely dissimilar” in style, beat and melody. Examining the “total concept and feel” of the two songs, the court held that no average lay observer would recognize the defendants’ song from being appropriated from the plaintiffs’ song. The court dismissed the plaintiffs’ claims against all Defendants. Plaintiff appealed.

The 2d Circuit affirmed the district court's dismissal of the plaintiffs' claims. The court noted that because the parties' songs "have little in common beyond the title and the phrase 'Caught Up,'" the district court correctly concluded that the plaintiffs' claims failed to muster under the ordinary observer test.

Contractual Interpretation / Online Agreements

Online Terms and Conditions Enforceable Even if They Conflict with the Terms of a Written Agreement

by Peter E. Kim and Michael V. Lee

Addressing a conflict between language in a written agreement and online terms and conditions of sale, the United States Court of Appeals for the Ninth Circuit, in an unpublished opinion, upheld a district court decision to enforce the online terms and conditions rather than the written agreement where the online terms and conditions expressly stated that they governed in the event of such a conflict. *Fadal Machining Centers, LLC v. Compumachine, Inc.*, Case No. 10-55719 (9th Cir., Dec. 15, 2011). The case was heard in federal court on diversity jurisdiction (with Judge Conlon N.D. Ill., sitting by designation).

Plaintiff Fadal, a manufacturer of machines and machine parts, sued one of its exclusive distributors, Compumachine, for breach of contract and the duty of good faith for non-payment. The forum selection provision in the parties' distributorship agreement designated the United States District Court for the Central District of California as the forum related to the agreement. The distributorship agreement also provided, however, that Fadal would unilaterally establish "the terms of sale ... from time to time." Each of the 15 allegedly unpaid invoices attached to Fadal's complaint referred to the terms and conditions of sale on Fadal's website, which terms and conditions included a clear and comprehensive mandatory arbitration clause: claims or disputes "arising out of or related to this agreement, or the breach thereof" shall exclusively be submitted to arbitration in Los Angeles under the Commercial Arbitration Rules of the American Arbitration Association. Importantly, the terms and conditions expressly stated that its provisions prevailed over any other agreement.

The district court dismissed the complaint without prejudice under Fed. R. Civ. P. 12(b)(6) because the terms and conditions of sale required submission of disputes to arbitration. The Court of Appeals for the Ninth Circuit upheld the district court's decision, holding that there was no question that the parties entered into an arbitration agreement, that the arbitration agreement's broad language encompassed the question of arbitrability, and that the distributorship agreement clearly expressed the parties' intent that the defendant would be bound by terms and conditions as established by plaintiff.

Practice Note: This case illustrates the importance of harmonizing written agreements, including language in invoices and terms and conditions of sale, whether they be on paper or online, and whenever they may be made effective. Where multiple agreements purport to apply to the same transaction, the parties should be aware of the interplay and overlap among them. This case also illustrates, perhaps, the need to pay attention to so-called boilerplate.

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