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## Last Month at the Federal Circuit

### September 2010

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*Enovsys LLC v. Nextel Communications, Inc.*  
No. 09-1167 (Fed. Cir. Aug. 3, 2010)  
[Appealed from C.D. Cal., Judge Lew]

#### **Prosecution History Estoppel Does Not Bar Application of DOE for Patent Directed to DNA Encoding**

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**Abbreviations**

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

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The logo features the word "FINNEGAN" in a large, white, sans-serif font. The letters are superimposed over a background of several dark brown, leather-bound book spines, suggesting a legal or intellectual property focus.

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### **Spotlight Info**

In *Princo Corp. v. International Trade Commission*, No. 07-1386 (Fed. Cir. Aug. 30, 2010) (en banc), the Federal Circuit, sitting en banc, considered whether Philips had engaged in patent misuse by entering into an agreement with Sony, whereby the parties jointly license the asserted Raaymakers patent, as well as the alternative Lagadec patent. The parties agreed that the alternative Lagadec technology would not be licensed in competition with the Raaymakers technology, or used to develop competing, alternative technology. The Court held that such an agreement did not impermissibly enlarge the physical or temporal scope of the patents, was not per se anticompetitive, nor did it have the effect of unlawfully restraining competition in the relevant market. Rather, the Court viewed the agreement as a legitimate exchange of assurances that the resources invested by one party to a joint venture would not be undermined or competitively exploited to the sole benefit of the other. Moreover, under a rule of reason analysis, the Court concluded that the Legadec technology was not a commercially viable technological alternative to the Raaymakers patents, nor was it likely to become so. Accordingly, the Court affirmed the decision of the ITC that the agreement between the parties did not constitute patent misuse. For a full discussion of this case, please see the full summary below.

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### **Looking Ahead**

In *Prometheus Laboratories, Inc. v. Mayo Collaborative Services*, 581 F.3d 1336 (Fed. Cir. 2009), the Federal Circuit reversed the district court's grant of SJ that the claims of the patents-in-suit were invalid under 35 U.S.C. § 101. The asserted claims recite "optimizing therapeutic efficacy" by administering a drug to a patient, determining the amount of drug in the patient's system, and recalibrating the drug dosage based on the amount in the patient's system. Applying the prior machine-or-transformation test of *Bilski*, the Federal Circuit held that the claims recite patentable subject matter. On June 29, 2010, however, the U.S. Supreme Court vacated and remanded the Federal Circuit's holding in light of the Supreme Court's decision in *Bilski v. Kappos*. On remand, the Federal Circuit ordered the parties to submit simultaneous supplemental briefs by October 1, 2010, to address the effect of the *Bilski* decision on the disposition of the case. The Court did not authorize any additional briefing or oral arguments. A decision on remand is therefore expected by early next year. See future editions of *Last Month at the Federal Circuit* for further developments.

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### **Divorce Decree Conveying Ownership Interest in Asserted Patents Deemed to Have Preclusive Effect in Patent Infringement Suit**

*Eric C. Jeschke*

**Judges: Newman (concurring-in-part, dissenting-in-part), Bryson, Prost (author)**  
**[Appealed from C.D. Cal., Judge Lew]**

In *Enovsys LLC v. Nextel Communications, Inc.*, No. 09-1167 (Fed. Cir. Aug. 3, 2010), the Federal Circuit affirmed the district court's determination that Enovsys LLC ("Enovsys") had standing to sue and the district court's denial of the postverdict JMOL motions filed by Sprint Nextel Corporation and its subsidiaries (collectively "Sprint Nextel").

Mundi Fomukong is part owner of Enovsys and a coinventor named in U.S. Patent Nos. 5,918,159 ("the '159 patent") and 6,560,461 ("the '461 patent"). The '159 patent is directed to a system for determining the physical location of a call receiver, such as a cellular telephone, using a network of space satellites and ground stations. The asserted claims of the '461 patent are directed to systems for disclosing a mobile device's physical location only to authorized requestors.

Fomukong was married to Fonda Whitfield in 1997 when Fomukong and his coinventor filed the application that later issued as the '159 patent. Two years later, Fomukong and his coinventor filed a second application that issued as the '461 patent. In 2001, Fomukong and Whitfield filed for divorce in California. In California, all assets acquired during a marriage, including any income earned or property created, are presumptively community property.

Fomukong and Whitfield divorced by summary dissolution, a procedure available only to couples that either (1) have no community property, or (2) have signed a property settlement agreement listing and dividing all community assets and liabilities. In their petition, Fomukong and Whitfield certified that they had no community assets or liabilities. A California state court finalized their divorce by entering a judgment of dissolution in October 2002.

Several months after the divorce was finalized, the '461 patent issued. In 2006, Fomukong and his coinventor assigned their interests in the '159 and '461 patents to Enovsys. Enovsys subsequently sued Sprint Nextel, alleging that its Integrated Digital Enhanced Network ("iDEN") and Code Division Multiple Access ("CDMA") systems infringed claim 1 of the '159 patent and claims 1, 2, 23, 25, and 28 of the '461

patent. Sprint Nextel moved to dismiss, arguing that Enovsys lacked standing to sue because it failed to join Whitfield, who acquired an ownership interest in the patents during her marriage to Fomukong. The district court denied the motion after concluding that Enovsys held full legal title to the patents.

The district court also construed various claim terms, including a “means to resolve” limitation in the ’159 patent and a “pre-authorized” limitation in the ’461 patent. The district court found that the “means to resolve” limitation invoked 35 U.S.C. § 112, ¶ 6 and proceeded to determine the claimed function. Based on its examination of the specification, the district court determined that the corresponding structure was a “transceiver, *connecting circuitry*, CPU, satellite receiving means, terrestrial receiving means, decoders, and temporary storage.” The district court construed “pre-authorized” in the ’461 patent to mean “authorized to submit a request in advance of determining whether the request will be granted.”

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**“Fomukong and Whitfield alleged that they had no community property. The judgment of dissolution entered by the California court was based on this admission; under California Family Code § 2404, the judgment constituted a complete and final adjudication of Fomukong and Whitfield’s property rights.” Slip op. at 18.**

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At trial, the dispute with respect to the ’159 patent centered on whether Sprint Nextel’s iDEN system contained the structure corresponding to the “means to resolve” limitation. With regard to the ’461 patent, the parties disputed whether Sprint Nextel’s systems satisfied the “pre-authorized” limitation in the asserted claims.

The jury found that Sprint Nextel infringed claim 1 of the ’159 patent and claims 11 and 28 of the ’461 patent. After trial, Sprint Nextel renewed its motion to dismiss. It also moved for postverdict JMOL on the issue of infringement with respect to both patents. The district court denied Sprint Nextel’s motions and entered judgment for Enovsys.

On appeal, the Federal Circuit first considered the question of standing. The Court determined that the district court correctly gave effect to the judgment of dissolution, under which Whitfield retained no community property interest in the asserted patents at the time the suit was filed. Although prior to the divorce, the patents were presumptively community property, the Court determined that the presumption was overcome by Fomukong and Whitfield’s divorce petition, in which they affirmatively stated they had no community assets or liabilities.

The Court then considered whether the state court judgment, which was entered on the basis of the petition, is entitled to preclusive effect. Under California law, the doctrine of collateral estoppel (issue preclusion) applies if (1) the issue sought to be precluded from relitigation is identical to the issue decided in the earlier proceeding; (2) the issue was actually litigated in the former proceeding; (3) the issue was necessarily decided in the former proceeding; and (4) the person against whom collateral estoppel is asserted was a party, or in privity with a party, to the earlier proceeding.

The Court found the first three requirements satisfied because Sprint Nextel sought to relitigate Whitfield’s property rights in the patents, which was the same issue resolved by the court. The Court found that the state court judgment was a complete and final adjudication of Fomukong and Whitfield’s property rights. The Court also found that Sprint Nextel was in privity with Whitfield because she

assigned any property interest she had in the patents to Sprint Nextel. The Court reasoned that privity arose from Whitfield's express assignment of any property interest she had in the patents to Sprint Nextel. The Court noted that because Whitfield had no property interest to assign, Sprint Nextel had no interest in the asserted patents and, thus, the district court did not abuse its discretion in denying Sprint Nextel's request to present evidence of the assignment at trial. Based on this analysis, the Court held that the divorce decree was entitled to res judicata effect.

Turning to claim construction, the Court affirmed the denial of Sprint Nextel's JMOL motions, holding that Sprint Nextel had waived its arguments related to two aspects of claim construction by not raising them below. Sprint Nextel first argued that it was entitled to JMOL on infringement because the iDEN system does not include the same "connecting circuitry" shown in Figure 2 of the '159 patent. The Court held that Sprint Nextel waived any error associated with the "connecting circuitry" structure because Sprint Nextel never asked the district court to construe "connecting circuitry" or offered a construction of the term. Sprint Nextel also argued that it was entitled to JMOL on infringement with respect to the '461 patent because its accused systems do not satisfy the "pre-authorized" limitation. The Court again held that Sprint Nextel waived its right to argue its new claim construction of "pre-authorized" by waiting until after the jury returned its verdict to raise any issues.

In a separate opinion, Judge Newman concurred in the holding related to standing but disagreed that Sprint Nextel waived its arguments related to claim construction. Specifically, Judge Newman stated that the majority had confounded "claim construction" with "infringement" and improperly ruled that Sprint Nextel had waived aspects of its noninfringement defense because they were not raised in the guise of "claim construction." Newman op. at 2. Judge Newman reasoned that during claim construction, there is often an intermingling of the relationship between the claim as construed in light of the description in the specification and the question of infringement by the accused device. In Judge Newman's view, any flaw in the framing of an argument should be considered more a matter of procedural imprecision than of substantive waiver.

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### **Prosecution History Estoppel Does Not Bar Application of DOE for Patent Directed to DNA Encoding**

*Joyce Craig*

**Judges: Bryson, Dyk (concurring-in-part, dissenting-in-part), Prost (author)**  
**[Appealed from D.D.C., Judge Kennedy]**

In *Intervet Inc. v. Merial Ltd.*, No. 09-1568 (Fed. Cir. Aug. 4, 2010), the Federal Circuit reversed the district court's claim construction, vacated the SJ of noninfringement, and remanded for a finding of whether the accused device infringes under the Federal Circuit's claim construction.

In a DJ action, Plaintiff Intervet Inc. ("Intervet") denied infringing U.S. Patent No. 6,368,601 ("the '601 patent"), owned by Defendants Merial Limited and Merial SAS (collectively "Merial"), directed to DNA constructs encoding a type of porcine circovirus. The prefix "circo" refers to the circular genome of the virus. A porcine circovirus is thus a virus having a circular genome that infects pigs.

Merial filed the application resulting in the '601 patent pertaining to the discovery of what it described as a previously unknown pathogenic type of porcine circovirus that the inventors dubbed "PCV-2." The '601 patent categorizes previously known, nonpathogenic porcine circoviruses as belonging to "type I" or "PCV-1." The '601 patent identifies a particular known DNA sequence isolated from pig kidney cells called PK/15 as being representative of type I. The '601 patent then identifies five isolated pathogenic porcine circovirus strains as being representative of type II. The patentee placed the five representative strains on deposit with the PTO as part of the description of the invention.

The '601 patent disclosure goes on to analyze the sequenced PCV-2 strains in more detail, providing tables comparing the sizes and alignments of the strains. The disclosure then identifies one of the sequenced strains, designated SEQ ID 4, as being further representative of the other strains, and identifies thirteen open reading frames ("ORFs") for PCV-2 using that sequence. The '601 patent specification identified nine of the thirteen disclosed ORFs that are unique to PCV-2, and four that are present in both PCV-2 and PCV-1.

"ORF" is a commonly used term in molecular genetics. An ORF is a portion of a gene that contains a sequence of nucleotide bases that may be translated into a protein. Identifying the ORFs of a gene sequence differentiates the portions of the sequence that may encode a protein from the portions that do

not encode a protein. It allows those skilled in the art to estimate the size and composition of potential amino acid sequences for the proteins encoded by the gene. Merial's patent claims are directed to certain vectors and other DNA molecules that contain portions of the PCV-2 gene sequence.

Intervet is an animal healthcare company that manufactures vaccines for livestock. Intervet developed a vaccine called "Porcine Circovirus Vaccine Type 2" that contained a porcine circovirus nucleotide sequence in a vector for treating a circovirus in pigs. Merial alleged that Intervet's vaccine used an infringing PCV-2 sequence.

The district court construed six disputed claim terms of the '601 patent. Among these constructions, the district court defined "porcine circovirus type II" as consisting of the five nucleotide sequences that Merial placed on deposit with the PTO. The district court construed the term "ORFs 1-13" as the DNA sequences of the thirteen ORFs of SEQ ID 4 listed in the table under Example 13 of the '601 patent. Finally, the district court construed claim 32 in its entirety to refer (in part) to a construct comprising at least one DNA molecule that is unique to one of the five sequences on deposit with the PTO.

The district court entered SJ of noninfringement based on these claim constructions. It was undisputed that Intervet's vaccine contained a nucleotide sequence that was 99.7% homologous to one of the deposited sequences. The accused product was therefore held to be outside the literal claim scope of PCV-2, which required strict identity to one of the five deposited sequences. The district court also held that the doctrine of prosecution history estoppel precluded Merial from arguing that the accused sequence infringed under the DOE.

Merial appealed the district court's claim construction for three of the terms, and, in the alternative, appealed the district court's SJ of noninfringement based on the DOE.

The Federal Circuit first considered claim construction. The district court found that the claim term "porcine circovirus type II" was limited to the five sequences that were deposited with the PTO as part of the description of the invention. The Federal Circuit, however, found that the '601 patent states that the five deposited strains and listed sequences are "representative of" a "type of porcine circovirus," and do not constitute the entire scope of the invention. The Court reminded that "[s]equences are representative of the scope of broader genus claims if they indicate that the patentee has invented species sufficient to constitute the genera." Slip op. at 9. Accordingly, the Court construed the claim term "porcine circovirus type II" to be "a pathogenic pig virus having a circular genome that is at about 96% or more homologous with the four sequences disclosed in the present specification, and about 76% or less homologous with the PK/15 sequence." *Id.* at 10.

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**"Merial is not . . . estopped from arguing that a pathogenic porcine viral sequence with over 99% nucleotide homology with one of the five representative strains is equivalent to that strain. Such a draconian preclusion would be beyond a fair interpretation of what was surrendered." Slip op. at 18 (footnote omitted).**

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The Federal Circuit next turned to the district court's claim construction of "ORFs 1-13," which defined the claim scope as consisting of the DNA sequence of the thirteen ORFs enumerated in Example 13 of the '601 patent specification as those ORFs apply to SEQ ID 4. The Court found that, although the district

court was correct that the disclosed ORFs define the claim term, it erred in confining the scope of the term to the precise limits of the representative ORFs listed in Example 13 and the exact DNA sequence of SEQ ID 4. The Court concluded that the term “ORFs 1-13” is properly construed as “lengths of translatable DNA between pairs of start and stop codons, corresponding to the 13 ORFs identified in the patent specification.” *Id.* at 12.

Turning next to the construction of claim 32, the Court found no error in the district court’s construction, “an isolated DNA molecule that includes, but is not necessarily limited to, a DNA sequence which codes for an immunodominant region of a protein, wherein the sequence is from the genome of a PCV-2 circovirus, and not from the genome of a PCV-1 circovirus.” *Id.* at 13. The Court, however, agreed with Merial that the district court erred in explaining during its infringement analysis that the part of the claim construction specifying that the sequence be “from” the genome of a PCV-2 circovirus, etc., excluded sequences that were physically derived from a non-PCV-2 source. The Federal Circuit focused its analysis on the term “specific to” in claim 32, since it appeared that this term determined whether the sequence was unique to and derived from PCV-2.

Intervet argued that the term “specific to” is a specialized term of art in immunology that typically refers to one structure’s proclivity for binding to another structure. The Court found, however, that a specialized definition of this term did not make sense in the context of claim 32 because the claimed epitope was not described as binding to porcine circoviruses; it was described as located within a porcine circovirus. The Court concluded that, to the extent that the district court’s application of its claim construction required that the encoded epitope be unique to PCV-2 among all possible antigens, it was erroneous.

Accordingly, the Federal Circuit reversed the district court’s claim construction of the terms “porcine circovirus type II” and “ORFs 1-13,” clarified the proper interpretation of the construction of the term “specific to PCV-2 and not specific to PCV-1,” and remanded the question of infringement for a determination consistent with the revised claim constructions.

Finally, the Court considered the DOE. The district court found that prosecution history estoppel precluded Merial from invoking the DOE. Merial was estopped from arguing that the accused PCV strain was equivalent to the claimed “porcine circovirus type II.” The Federal Circuit disagreed, finding that the purpose of the claim amendment at issue was to narrow the claimed universe of ORFs down to those of PCV-2, and that the amendment bore only a tangential relation to the question of which DNA sequences were and were not properly characterized as PCV-2. The Court concluded that, while Merial was estopped from arguing that ORFs of pathogenic circoviruses found in other organisms were equivalent to ORFs of PCV-2 and from arguing that ORFs of a pathogenic strain of PCV-1 were equivalent to ORFs of PCV-2, Merial was not estopped from arguing that a pathogenic porcine viral sequence with over 99% nucleotide homology with one of the five representative strains was equivalent to that strain.

Judge Dyk wrote separately, concurring-in-part and dissenting-in-part. Judge Dyk agreed with the majority’s construction of claim 32 of the ’601 patent but disagreed with its construction of the other two claim terms. Judge Dyk noted that, under the majority’s claim construction of all terms, claim 32 covered DNA sequences that were not in fact isolated by the inventor and were distinct from the five isolated strains disclosed in the ’601 patent, raising issues of patentable subject matter under 35 U.S.C. § 101. Claim 32 encompassed “[a]n isolated DNA molecule comprising a nucleotide sequence encoding an epitope which is specific to PCV-2 and not specific to PCV-1.” Applying the majority’s constructions of “PCV-2” and “specific to PCV-2 and not specific to PCV-1,” in Judge Dyk’s view, raised the question of

whether the isolated DNA molecule, separate from any applications associated with the isolated nucleotide sequence (e.g., the production of a vaccine), was patentable subject matter. It was unclear to Judge Dyk that an “isolated” DNA sequence was qualitatively different from a product occurring in nature such that it would pass the test laid out in *Diamond v. Chakrabarty*, 447 U.S. 303, 309 (1980), and *Funk Brothers Seed Co. v. Kalo Inoculant Co.*, 333 U.S. 127, 130 (1948).

Judge Dyk also disagreed with the majority with respect to its construction of “ORFs 1-13” and agreed with the district court that the phrase must be limited to the specific DNA sequences defined as ORFs 1-13 in the '601 patent based on the intrinsic evidence. Under the district court’s construction, in Judge Dyk’s view, claim 9 of the '601 patent was not literally infringed or infringed under the DOE.

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### **Pharmacokinetic Claim Terms Need Not Refer to Complete FDA Regulations, and Infringement May Be Proven with Indirect Evidence and Through DOE**

*Robert C. Stanley*

**Judges: Linn, Moore (author), Friedman**  
**[Appealed from W.D. Mich., Judge Quist]**

In *Adams Respiratory Therapeutics, Inc. v. Perrigo Co.*, No. 10-1246 (Fed. Cir. Aug. 5, 2010), the Federal Circuit vacated the district court's claim construction and grant of SJ of noninfringement in favor of defendant Perrigo Company ("Perrigo").

Guaifenesin is an expectorant used to combat mucus that causes lung congestion. Adams Respiratory Therapeutics, Inc. ("Adams") filed an NDA for an extended release guaifenesin product, Mucinex®, containing both an immediate release ("IR") and extended release ("ER") portion for twice-daily dosing. Adams's NDA included pharmacokinetic data showing its product was bioequivalent to, and in particular had approximately the same maximum blood concentration ( $C_{max}$ ) of guaifenesin as, an IR-only product taken every four hours for twelve hours. In 2002, Adams obtained U.S. Patent No. 6,372,252 ("the '252 patent") covering its particular ER product, with claims reciting a  $C_{max}$  that is "equivalent" to the multiple twelve-hour dosing schedule of the IR-only product.

Perrigo filed an ANDA containing a Paragraph IV Certification alleging that the '252 patent was invalid or not infringed, and with pharmacokinetic data showing its product was bioequivalent to, and had approximately the same  $C_{max}$  as, Mucinex®. Adams filed suit against Perrigo for infringement of the '252 patent. After construing the claims, the district court granted SJ of noninfringement, and Adams appealed the claim construction and infringement determinations.

The parties disputed the meaning of the term "equivalent"  $C_{max}$ . During a presuit ex parte reexamination of the '252 patent, Adams stated that "one of ordinary skill in the art would recognize 'equivalent' as being the FDA bioequivalence guidelines of 80-125%," along with an expert declaration supporting that definition. Slip op. at 3. Adams also submitted a copy of FDA guidelines regarding bioequivalence for ANDA applicants, which stated that 80-125% range but also required that the pharmacokinetic data "must show that a 90% confidence interval for the ratio of the mean response (usually AUC and  $C_{max}$ ) of its product to that of the innovator is within the limits of 0.8 to 1.25." *Id.* at 4. In light of Adams's statements, the district court interpreted "equivalent" as including both the 80-125% and the 90% confidence interval.

On appeal, Adams challenged the requirement of a 90% confidence interval, which only made sense in the context of drug approval. By including the confidence interval, Adams asserted that the district court required Adams to prove that Perrigo's product infringed 90% of the time, instead of merely showing that it was more likely than not that Perrigo's product would infringe. Perrigo countered that Adams's reference to FDA guidelines during reexamination meant that Adams adopted them entirely, including the confidence interval. The Federal Circuit agreed with Adams, finding that Adams referred specifically to the 80-125% range in the guidelines and that Adams never adopted or mentioned the confidence interval. Moreover, the Court opined that infringement does not require a strict finding of bioequivalence, and that including the confidence interval would "inappropriately raise the bar for establishing infringement." *Id.* at 8.

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**"Our case law does not contain a blanket prohibition against comparing the accused product to a commercial embodiment." Slip op. at 10.**

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The Court also addressed Adams's evidence of equivalence. Adams presented evidence from Perrigo's ANDA showing that Perrigo's generic product would have a  $C_{max}$  equivalent to Mucinex®, and additional evidence showing that Mucinex® was bioequivalent to an IR-only product. Or, as the district court put it, "Adams argue[d] that if A is equivalent to B, and B is equivalent to C, then A must be equivalent to C," *id.* (alteration in original) (citation omitted), and rejected that approach as improperly comparing the accused product to a commercial product instead of the claim language. The district court reasoned that only a two-way crossover study comparing Perrigo's ANDA product directly to the IR-only product mentioned in the '252 patent claims could establish "equivalence." The Federal Circuit rejected this approach, finding no blanket prohibition against comparing an accused product to a commercial embodiment, relying in part on *Glaxo Group Ltd. v. Torpharm*, 153 F.3d 1366 (Fed. Cir. 1998), and finding that "when a commercial product meets all of the claim limitations, then a comparison to that product may support a finding of infringement," slip op. at 11. The Court noted that reliance on the mere fact of bioequivalence would not be enough to survive SJ. Because bioequivalence indicates a range of values, the comparison of A to B and then B to C would not necessarily show that A is equivalent to C. However, Adams presented actual pharmacokinetic and  $C_{max}$  data in addition to evidence of bioequivalence, which was sufficient to preclude grant of SJ of noninfringement.

The Federal Circuit also dealt with two other issues on appeal. First, Perrigo disputed the district court's construction of the claim term "immediate release form which becomes fully bioavailable in the subject's stomach" as meaning "a form intended to rapidly release in the stomach substantially all of the active pharmaceutical ingredient for absorption." *Id.* at 13-14. Perrigo argued that "bioavailable" is commonly understood by those of skill in the art to mean absorption, not merely release for absorption. The Federal Circuit stated that Perrigo's construction was reasonable in the abstract, but upheld the district court's definition, noting that "[a]lthough the specification never expressly defines bioavailable, it uses the term when describing the availability of the drug for absorption, not the actual absorption." *Id.* at 14. The Court also noted that Perrigo's construction, which would require absorption in the stomach, would exclude "the preferred embodiment and essentially all guaifenesin formulations, as the specification explains that absorption occurs in the intestinal tract." *Id.*

Second, the Court addressed Adams's argument that it should be permitted to establish infringement of the claim term "said product has an  $AUC_{inf}$  of at least 3500 hr\*ng/mL" under DOE. *Id.* at 15. The district court had interpreted "at least" to indicate the absolute lower limit, and found that allowing Adams to

establish infringement by DOE would vitiate the express claim language. The Federal Circuit disagreed, noting prior cases such as *U.S. Philips Corp. v. Iwasaki Co.*, 505 F.3d 1371 (Fed. Cir. 2007), and *Abbott Laboratories v. Dey, L.P.*, 287 F.3d 1097 (Fed. Cir. 2002), which held that DOE can apply to a range or numerical limitation in a claim. Thus, the Court vacated the grant of SJ of noninfringement so that the district court could consider under DOE whether Adams's evidence of an AUC value of 3493.38 hr\*ng/mL in Perrigo's generic product was insubstantially different from the claimed 3500 hr\*ng/mL.

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# FINNEGAN

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**September 2010**

### **An Inference of an Intent to Deceive and an Equally Reasonable Inference Finding No Intent to Deceive Fails the Clear and Convincing Evidence Standard for Establishing Inequitable Conduct**

*Kimberly D. Braslow*

**Judges: Lourie, Gajarsa, Moore (author)**

**[Appealed from E.D. Tex., Judge Folsom]**

In *Ring Plus, Inc. v. Cingular Wireless Corp.*, No. 09-1537 (Fed. Cir. Aug. 6, 2010), the Federal Circuit affirmed the district court's findings in all respects except for one. Specifically, the Court affirmed the district court's grant of Cingular Wireless Corp., Cingular Wireless II LLC, Cingular Wireless LLC, and AT&T Wireless Services, Inc.'s (collectively "Cingular") SJ of noninfringement of U.S. Patent No. 7,006,608 ("the '608 patent") and the denial of Ring Plus, Inc.'s ("Ring Plus") motion to disqualify counsel. The Court, however, reversed the finding of unenforceability of the '608 patent due to Ring Plus's alleged intent to deceive the PTO.

Ring Plus is the owner of the '608 patent, which is directed to a software-based algorithm for operation of a telephone for generating and delivering messages over a phone line during a "ringing signal" period.

Ring Plus filed a complaint with the Eastern District of Texas alleging that Cingular's Answer Tones service infringed various claims of the '608 patent, and also filed a motion to disqualify Cingular's counsel for allegedly improper ex parte communications with a Ring Plus Director. In response, Cingular filed various defenses, including noninfringement and unenforceability of the '608 patent due to inequitable conduct. In its claim construction analysis, the district court determined that the steps of the asserted claims must be performed in a specific order, where step 1(c), "determining whether the telephone line of the recipient telephone is busy," must be performed before step 1(d), "allowing for a sound presentation" if the recipient line is not busy, and terminating the call without a sound presentation if the line is busy. Because Cingular's Answer Tones plays a presentation before it determines whether the recipient's telephone line is busy, the Court found no literal infringement. The Court also found no infringement under the DOE due to prosecution history estoppel, and thus, the Court granted Cingular's SJ of noninfringement. The Court then denied Ring Plus's motion to disqualify Cingular's counsel and held a bench trial on the issue of inequitable conduct and found the '608 patent to be unenforceable due to two material misrepresentations made during prosecution regarding two prior art references.

On appeal, the Federal Circuit first considered Ring Plus's argument that the district court abused its discretion in holding the '608 patent unenforceable. The Court noted the two-prong test for successfully proving inequitable conduct, requiring that the accused infringer present evidence that the applicant (1) made an affirmative misrepresentation of material fact, failed to disclose material information, or submitted false material information; and (2) the applicant intended to deceive the PTO. The Court agreed with the district court's finding that Ring Plus had misrepresented two references ("Strietzel" and "Sleevi") in the Background of the Invention of the '608 patent, but disagreed with the finding that an amendment submitted during prosecution constituted a misrepresentation. In the amendment submitted during prosecution, applicants stated that they had "very carefully examined" Strietzel and Sleevi, and noted that "one of the distinctions between the applicant's system and . . . any other reference known to the applicant is the fact that the applicant's system only generates [a] message when the phone line between the caller and the recipient is not busy. Slip op. at 6 (alterations in original) (citation omitted). In agreeing with Ring Plus's argument on appeal—that the statements made in the Background and the amendment are not misrepresentations because they are not false—the Court determined that neither Strietzel nor Sleevi disclosed playing a sound presentation only when a called line is not busy. In particular, the Court found that Strietzel clearly states that "the busy tone can be replaced by one or more advertisements," and that Sleevi fails to disclose any indication that the status of the recipient's line affects system operation. *Id.* at 8.

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**"Mr. Schaap's testimony gives rise to the inference that applicants believed that Strietzel and Sleevi did not disclose software for operating a telephone system . . . [which] is as reasonable as the court's inference of deceptive intent, particularly in view of the references' ambiguity as to operating software." Slip op. at 12.**

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Finding that the statement made in the amendment was not a misrepresentation, the Court only analyzed the statement made in the Background for materiality, which the district court found to be highly material. Ring Plus argued that the Background statement was merely attorney argument and therefore could not be a material misrepresentation. They also argued that the examiner did not cite to Strietzel and Sleevi during prosecution, thus finding those references to not be material. The Court disagreed, noting that the issue relates to what a reasonable examiner would have found important, and not whether the reference in question was specifically considered during prosecution. Therefore, the Court found that the district court did not clearly err in determining that applicants' statements in the Background were a material misrepresentation.

With respect to the second prong for establishing inequitable conduct—establishing intent—the Court noted that Cingular carries the burden of demonstrating clear and convincing evidence that applicants specifically intended to deceive the PTO in making the misrepresentation in the Background statement. The Court disagreed with the district court's finding that Cingular had established clear and convincing evidence of Ring Plus's deceptive intent. Although the district court acknowledged that Ring Plus had disclosed Strietzel and Sleevi, they still found that the statement made in the Background that "Strietzel and Sleevi both propose hardware based systems, but no software to operate those systems" was made with an intent to deceive. In addition, the district court dismissed prosecution attorney testimonial that Strietzel and Sleevi ambiguously and insufficiently detailed software.

The Federal Circuit agreed with Ring Plus's argument that the district court erred in finding that Cingular

had provided clear and convincing evidence of applicants' specific intent to deceive the PTO. Specifically, the Court disagreed with the district court's finding, which was premised solely on the view that Strietzel and Sleevi clearly disclosed software. In contrast, the Court found that Strietzel and Sleevi did not clearly disclose software. Specifically, the Court considered that neither reference mentioned software nor identified any code or software mechanism for the operating system. Moreover, the Court reasoned that there was no evidence showing that one of skill in the art would consider the references to unambiguously disclose software. Finally, the Court stated that Cingular provided no evidence to rebut the prosecution attorney's testimonial, which they found gave rise to the inference that applicants believed that Strietzel and Sleevi did not disclose software for operating a telephone system. The Court held that the lack of explicit disclosure of software in the Strietzel and Sleevi references in addition to the prosecution attorney's testimonial provided as reasonable an inference as the district court's inference of deceptive intent. Noting the holding in *Scanner Technologies Corp. v. Icos Vision Systems Corp.* N.V., 528 F.3d 1365, 1376 (Fed. Cir. 2008), that "a district court clearly errs in overlooking one inference in favor of another equally reasonable inference," the Court concluded that the district court clearly erred in finding clear and convincing evidence of applicants' deceptive intent.

The Federal Circuit next considered the grant of SJ of noninfringement to Cingular. The Court disagreed with Ring Plus's claim that the district court erred in construing the claims and that the entry of SJ for noninfringement must be reversed under the correct claim construction. Ring Plus argued that Cingular could infringe even if the Answer Tones service plays a sound presentation prior to determining whether the line is busy because that time period is not covered by the claims, and that the district court misconstrued the definition of "allowing" and "sound presentation." The Court disagreed with Ring Plus's assertion, stating that Ring Plus's proposed construction conflicts with the required order of the claimed steps, which requires first determining whether the line is busy and then allowing a sound presentation if the line is not busy. The Court concluded that because a sound presentation cannot be allowed to continue before the presentation is first played, the required order of the steps necessarily indicates that "allowing" a sound presentation means allowing the sound presentation to begin. Therefore, the Court affirmed the district court's finding of noninfringement.

Finally, the Federal Circuit considered Ring Plus's motion for disqualification of Cingular's counsel for allegedly improper ex parte party communications. On April 12, 2007, a man named Tom Garretson, representing himself as having been involved with Ring Plus's '608 patent development, contacted several Cingular attorneys to divulge information regarding legal strategy, the '608 patent strengths and weaknesses, claim defense strategy, etc. After Cingular attorney Doug Kubehl contacted Ring Plus to inquire into Tom Garretson's affiliation with Ring Plus, Ring Plus lead counsel denied Mr. Garretson's relationship with Ring Plus, and then later denied that the conversation with Doug Kubehl had ever happened. The district court found that Cingular's counsel had no actual knowledge that Mr. Garretson was affiliated with Ring Plus, and that Cingular's conduct did not violate applicable rules of professional conduct. On appeal, the Federal Circuit agreed with the district court, noting that the fact that Mr. Garretson was offering information adverse to Ring Plus would suggest that he was not affiliated with Ring Plus. Thus, the Court affirmed the district court's denial of Ring Plus's motion to disqualify counsel.

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**September 2010**

### **Federal Circuit Vacates and Remands Inequitable Conduct Determination for Further Factual Findings, and Affirms JMOL of No Joint Infringement**

*John S. Sieman*

**Judges: Newman (dissenting), Friedman, Dyk (author)**

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

In *Golden Hour Data Systems, Inc. v. emsCharts, Inc.*, Nos. 09-1306, -1396 (Fed. Cir. Aug. 9, 2010), the Federal Circuit vacated the district court's finding of inequitable conduct, remanding the issue for further factual findings regarding intent to deceive, and affirmed the district court's grant of JMOL that the defendants did not jointly infringe.

Golden Hour Data Systems, Inc. ("Golden Hour") obtained U.S. Patent No. 6,117,073 ("the '073 patent"), which is directed to computerized, integrated information management services in connection with emergency medical transport. When Golden Hour initially filed its patent application, its chief executive and one of the named inventors, Dr. Kevin Hutton, believed that a system called the "AeroMed system" was the most similar to his invention. Golden Hour mentioned the AeroMed system in the body of its '073 patent specification, but distinguished it as lacking integration with clinical, billing, and administrative systems. Several months after filing the application, Golden Hour filed an IDS further describing the AeroMed system. The description in the IDS was nearly identical to the description on the cover of an undated AeroMed brochure. Another page inside this brochure disclosed that the AeroMed system included billing integration. Dr. Hutton claimed he received the brochure about three weeks after the '073 patent application was filed. Golden Hour's IDS did not cite the brochure itself nor did it mention the AeroMed system's inclusion of billing integration. The PTO allowed Golden Hour's claims after Golden Hour distinguished other prior art of record as lacking billing integration.

emsCharts, Inc. ("emsCharts") produces web-based medical charting software, and Softtech, LLC ("Softtech") produces computer-aided flight dispatch software. The two companies entered into a strategic partnership, collaborating to sell their software as a unit. Golden Hour sued both emsCharts and Softtech for patent infringement, asserting certain claims against both defendants as joint infringers. At trial, the jury found that emsCharts and Softtech infringed the asserted '073 patent. The district court then granted JMOL of no joint infringement for the claims asserted against the defendants jointly. Further, after a bench trial, the district court found the '073 patent unenforceable due to inequitable conduct due to Golden Hour's failure to disclose either the AeroMed brochure itself or the information it

contained about billing integration.

On appeal, the Federal Circuit first considered the issue of inequitable conduct, which requires a showing of both materiality and intent to deceive. With regard to the materiality prong, Golden Hour argued that because the AeroMed brochure was undated, it could not be material to patentability. The Federal Circuit disagreed for several reasons, finding the nondisclosed information in the brochure to be highly material. First, the Court noted that the brochure may have been prior art based on the evidence of record, including testimony from the brochure's author about its publication date. Given that Golden Hour's '073 patent specification discloses the AeroMed system, the Court found that a reasonable examiner probably would have wanted to know more about it. Second, the Court concluded that the brochure was material because it contradicted Golden Hour's representation to the PTO that the AeroMed system did not provide integrated billing. Finally, the Court noted that, because the brochure disclosed integrated billing, a feature central to obtaining allowance of many of the claims, the brochure would have been material because it would have raised potential on-sale bar issues, even if the brochure itself was not prior art.

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**“It is not our task to make factual findings. Therefore, we must remand to the district court for it to make detailed factual findings in the first instance.”**  
**Slip op. at 26.**

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Regarding the intent prong, the Federal Circuit found that the district court inferred intent without making a critical factual determination. The Court stated that there were two possible reasons for the failure to disclose the integrated billing described in the AeroMed brochure: (1) Dr. Hutton and Golden Hour's prosecution counsel, Mr. Michael Fuller, did not read the entire brochure, giving rise to a finding of gross negligence at most; or (2) at least one of Dr. Hutton or Mr. Fuller read the brochure in full but chose not to disclose the billing integration feature to the PTO, giving rise to an inference of an intent to deceive. Thus, the Court found it essential that the district court provide detailed factual findings with respect to whether Dr. Hutton or Mr. Fuller read the entire brochure, deliberately withheld material information, or deliberately avoided reading the entire brochure to avoid learning damaging information.

Golden Hour argued against remand because the record did not include evidence to support a finding of intent. The Court disagreed, pointing to four specific facts that could support a finding that Dr. Hutton or Mr. Fuller read the entire brochure and withheld material information from the PTO. First, Dr. Hutton regarded AeroMed as his primary and only competitor, making it likely that he would have been interested in a brochure describing the AeroMed system. Second, the description in Golden Hour's specification about the AeroMed system was provided to Mr. Fuller by Dr. Hutton, who only knew of AeroMed by word-of-mouth rather than any documentation. Because they had received only imprecise hearsay about AeroMed, Dr. Hutton and/or Mr. Fuller may have had reason to review the brochure. Third, the fact that Golden Hour submitted an IDS based on the brochure after receiving it suggests that either Mr. Fuller or Dr. Hutton would have been interested in reading the brochure. Fourth, patent practitioners would most likely not make representations about the brochure in an IDS without reading the entire brochure, and would most likely want to review the brochure to determine its prior art status.

The Court concluded that no finding of deceptive intent was compelled, explaining that it was not the Federal Circuit's role to make factual findings. Thus, the Court remanded to the district court for more detailed factual findings, including whether Dr. Hutton or Mr. Fuller in fact read the brochure and chose to withhold damaging information from the PTO.

Turning to joint infringement, the Federal Circuit considered the method claims separately from the system claims. For the method claims, the Court explained that “[w]here the combined actions of multiple parties are alleged to infringe process claims, the patent holder must prove that one party exercised ‘control or direction’ over the entire process such that all steps of the process can be attributed to the controlling party, i.e., the ‘mastermind.’” Slip op. at 27 (quoting *Muniauction, Inc. v. Thomson Corp.*, 532 F.3d 1318, 1329 (Fed. Cir. 2008)). Without much discussion, the Court agreed with the district court that the strategic partnership between emsCharts and Softech was not sufficient for a jury to infer that one company controlled or directed the other. As a result, there could be no joint infringement.

As for the system claims, Golden Hour had argued that emsCharts sold the products of both defendants together in one package and that this package infringed. The Court noted that this kind of sale may constitute direct infringement by emsCharts, but, because the jury only received instructions on joint infringement for the system claims in question, the Court must apply the “control or direction” test. Thus, as with the method claims, the fact that emsCharts did not control or direct Softech compelled affirmance of the JMOL of no joint infringement.

In a dissenting opinion, Judge Newman questioned the materiality of the undated AeroMed brochure, emphasizing that the jury considered the brochure but did not find any claims invalid. Judge Newman also would not have remanded for further factual findings related to intent to deceive the PTO because she believed the accused infringers already had a chance, but failed, to establish intent. Alternatively, Judge Newman suggested staying the proceedings pending the Federal Circuit’s en banc decision in *Therasense, Inc. v. Becton, Dickinson & Co.*, Nos. 08-1511, -1512, -1513, -1514, -1595, which may change the way courts adjudicate inequitable conduct claims. Finally, Judge Newman expressed concern that the separate corporate status of emsCharts and Softech was all that saved them from the jury’s finding of infringement. In Judge Newman’s view, a reasonable jury could have found that the collaborative activity infringed the asserted claims and the majority erred in discarding the jury’s verdict on the ground that infringement cannot be found as a matter of law.

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**September 2010**

### **Means-Plus-Function Element Having Two Functions Must Be Construed to Include Both Functions, Regardless of Placement of Modifier**

*Mayssam H. Ali*

**Judges: Bryson (author), Gajarsa, Prost**

**[Appealed from N.D. Ohio, Judge O'Malley]**

In *Baran v. Medical Device Technologies, Inc.*, No. 10-1058 (Fed. Cir. Aug. 12, 2010), the Federal Circuit affirmed the district court's holding that U.S. Patent No. 5,025,797 ("the '797 patent") and its CIP, U.S. Patent No. 5,400,798 ("the '798 patent") (collectively "the patents-in-suit") were not infringed.

The patents-in-suit disclose single-use and reusable automated biopsy instruments in which the biopsy needle is formed from a stationary stylet and a retractable cannula. To collect a biopsy sample, the instrument is first charged by retracting the cannula and attached external guide, and locking the guide into the charged position with a lever. The stylet is then inserted into a subject and the lever is released, thus pushing the cannula over the stylet to collect the biopsy sample. Finally, the biopsy needle is removed from the subject and the biopsy sample is extracted. The accused device, the BioPince Full Core Biopsy Instrument ("BioPince"), is a single-use automated biopsy instrument that is charged for sample collection by means of a slider-crank mechanism and locking tab.

Dr. Gregory W. Baran sued defendants Medical Device Technologies, Inc., AMT Sverige, AB, Ascendia AB, Gedon AB, and Anders H. Weilandt (collectively "MDTech"), asserting that MDTech's BioPince device infringed claim 2 of the '798 patent and claim 7 of the '797 patent. Following the district court's claim construction order, Dr. Baran stipulated that he could not prove infringement of the '798 patent, reserving the right to appeal the claim construction. The district court then granted SJ of noninfringement, finding that two limitations of claim 7 of the '797 patent were not present in the BioPince device. Dr. Baran appealed.

Dr. Baran contested the district court's construction of the terms "releasably" and "detachable" to require separation "without loss or damage," thereby excluding the single-use BioPince apparatus from the claim scope. The Federal Circuit first noted that Dr. Baran's argument that the '798 patent did not disclose a stylet joined to a cannula in fact supported the district court's construction, as the specification described the stylet and cannula as readily separable without loss or damage. The Court also found significant the different language used by the patentee to distinguish the single-use and reusable embodiments. The

specification described the stylet and cannula as glued permanently into the support rod and the spring guide in the former, and detachably engaged in the latter. The Court noted that incorporating the “without loss or damage” limitation into the claim construction also comported with the plain meaning of “detachable.” Further, the Federal Circuit agreed with the district court that the terms “releasably” and “detachable” had the same meaning because they were used interchangeably in the '798 patent, overcoming the implication that different terms have different meanings. Moreover, the Court rejected Dr. Baran’s argument that the district court’s claim construction excluded a preferred embodiment, explaining that each claim need not read on every embodiment, and noting that other claims covered the single-use embodiment. Finally, the Court rejected Dr. Baran’s argument that the district court’s claim construction improperly ignored the Summary of the Invention, noting that the Summary merely repeated claim language verbatim, and stating that claim terms used in the Summary need not be construed to encompass all embodiments of the invention. The Court upheld the district court’s construction of the remaining claim terms, and thus concluded that Dr. Baran’s stipulation of noninfringement remained effective.

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**“The relevant inquiry is whether the term at issue [in a means-plus-function claim] is purely functional.” Slip op. at 13.**

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Turning to the '797 patent, the Federal Circuit concluded that no reasonable juror could find that the BioPince device satisfied the first means-plus-function limitation of a “release means for retaining the guide in the charged position.” Slip op. at 12. The Federal Circuit agreed with the district court that the claim recited both a release function and a retention function. The Court rejected Dr. Baran’s argument that the term “release” preceding the “means for” clause was a characteristic and not a functional limitation. The Court noted that the relevant inquiry was whether the term at issue was purely functional. The Court then concluded that the term “release” was a vital function of the means-plus-function limitation, as the contemplated function of the biopsy instrument requires the release of the biopsy needle on demand.

Moreover, the Court rejected Dr. Baran’s alternative argument that whether the accused device satisfied the retention/release limitation was a disputed issue of material fact that should not have been resolved on SJ. The district court concluded that the accused structure was substantially different from the disclosed structure because the BioPince device required the locking tab to flex in a yielding manner for the release to occur, while the patented invention relied on a lever that must be rigid to pivot on its fulcrum. Dr. Baran asserted that the lever disclosed in the '797 patent specification was equivalent to the crank arm and locking tab in the accused BioPince device because the former, like the latter, flexed to release the guide. The Federal Circuit disagreed, finding that the lever only functioned to release the guide when rigid, in direct contrast to the locking tab mechanism, which flexed to release the guide. The Court explained that the specification’s references to “flexibility” referred to the lever’s ability to pivot flexibly rather than to flexibility of the lever material. Therefore, because the accused structure differed substantially from the disclosed structure, the Court found that the '797 patent was not infringed.

Finally, the Federal Circuit rejected Dr. Baran’s contention that the district court erred in striking portions of his declaration in opposition to MDTech’s motion for SJ, because it provided expert testimony and Dr. Baran had not identified himself as an expert under Fed. R. Civ. P. 26(a)(2). The Court also rejected Dr. Baran’s argument that his declaration was timely because he was not obligated by Rule 26(a)(2)(B) to provide an expert report as he had not been “retained or specially employed to provide expert

testimony.” Slip op. at 15. Instead, the Court explained that because Dr. Baran had elected to submit a written report, he was obligated to submit that report by the deadline in the district court’s case management plan, which applied to both mandatory and optional expert reports.

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**Contract Made in Norway Between U.S. Companies for Sale of a Product Within the United States Constitutes Sale and Offer to Sell Within the United States Under § 271(a)**

*Joyce Craig*

**Judges: Gajarsa, Mayer, Moore (author)**

**[Appealed from S.D. Tex., Judge Hoyt]**

In *Transocean Offshore Deepwater Drilling, Inc. v. Maersk Contractors USA, Inc.*, No. 09-1556 (Fed. Cir. Aug. 18, 2010), the Federal Circuit reversed-in-part, affirmed-in-part, vacated-in-part, and remanded a decision of the district court granting SJ in favor of Maersk Contractors USA, Inc. (“Maersk”) on the issues of validity, infringement, and willfulness with regard to three deepwater drilling patents. Because there remained genuine issues of material fact regarding objective evidence of nonobviousness and undue experimentation, the Court reversed the grant of SJ relating to invalidity. Because a certain contract was both an offer to sell and a sale, the Court vacated the district court’s SJ of noninfringement and remanded for further findings. The Court affirmed the district court’s holding of no willfulness.

Transocean Offshore Deepwater Drilling, Inc. (“Transocean”) asserted U.S. Patent Nos. 6,047,781; 6,068,069; and 6,085,851 against Maersk. The patents relate to an improved apparatus for conducting offshore drilling and share a common specification. Transocean accused Maersk’s DSS-21 rig of infringement. Maersk’s Danish parent company, Maersk A/S, contracted with Keppel FELS Ltd. in 2005 to build the accused rig in Singapore. Later, Maersk A/S negotiated with Statoil ASA (a Norwegian company) for Statoil ASA’s use of the accused rig. The companies came to an agreement for use of the rig, and Maersk and Statoil Gulf of Mexico LLC (“Statoil”), a Texas corporation, signed a contract in Norway. The contract specified that the “Operating Area” for the rig was the U.S. Gulf of Mexico, but that Statoil had the right to use the rig outside the Operating Area with certain limitations.

The contract also mentioned Transocean’s U.S. patents. Maersk specifically retained the right to make “alterations” to the accused rig “in view of court or administrative determinations throughout the world.” Slip op. at 16. One of these “determinations” came when Transocean asserted the same patent claims in this case against another competitor, GlobalSantaFe Corp. (“GSF”). Transocean prevailed in that case and the court issued an injunction requiring GSF to install a “casing sleeve” on one of its two advancing stations. The district court in GSF held that that avoided infringement because the cased advancing station could no longer advance tubes to the seabed as the independent claims require. Before

delivering the rig to the United States, Maersk learned of the injunction against GSF and modified the accused rig with the same casing sleeve to prevent one of the stations from advancing pipes to the seabed.

The district court in this case held that all asserted claims were invalid, not infringed, and that Maersk did not act willfully.

On appeal, the Federal Circuit first addressed validity. The asserted claims generally require (1) a first advancing station capable of advancing tubular members to the seabed, (2) a second advancing station also capable of advancing tubular members to the seabed, and (3) a transfer assembly to move tubular members between the first advancing station and the second advancing station. The district court held that the claims would have been obvious over two references, which the Federal Circuit agreed established a prima facie case that the claims would have been obvious because, in combination, the references taught all of the limitations of the claims. The Court also found the reason to combine these references in one of the references. Transocean, however, presented significant objective evidence of nonobviousness, which the district court did not consider. Because of the failure to consider the objective evidence of nonobviousness and because genuine issues of material fact remained, the Court reversed the grant of SJ of invalidity based on obviousness.

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**“This case presents the question whether an offer which is made in Norway by a U.S. company to a U.S. company to sell a product within the U.S., for delivery and use within the U.S. constitutes an offer to sell within the U.S. under § 271(a). We conclude that it does.” Slip op. at 18.**

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Turning to enablement, the Federal Circuit agreed with Transocean that factual issues regarding undue experimentation precluded SJ of no enablement. The parties heavily disputed whether the development of the transfer equipment would be “trivial” or a much more complex task based on the evidence presented below. The Court also found that the district court erred in requiring Transocean to enable the invention to allow a person of ordinary skill in the art to take advantage of the “timesaving” aspect of the invention. In the Court’s view, it was irrelevant whether the enabling disclosure would provide the most efficient transfer. The Court, therefore, reversed the grant of SJ.

The Federal Circuit next considered infringement. There was no dispute that there was an offer to sell, but Maersk argued that the offer was made in Norway, not the United States, thereby absolving it of § 271(a) liability. The district court relied on the undisputed facts that the negotiation and signing of the contract took place outside the United States and that the contract gave Maersk the option to alter the rig to avoid infringement. The district court also held that Transocean was collaterally estopped from arguing that the modified rig that Maersk delivered to Statoil (that included the casing sleeve to prevent advancing tubular members to the seabed) infringed the patent claims because this design was adjudicated as noninfringing in the GSF litigation.

Transocean argued that a contract between two U.S. companies for delivery or performance in the United States must be an offer to sell within the United States under § 271(a). The Court agreed, noting that the focus of the inquiry should not be on the location of the offer. Accordingly, the Court vacated the district court’s SJ of noninfringement.

With regard to whether there was an infringing sale, Transocean argued that a contract between two U.S. companies for performance in the United States constitutes a sale under § 271(a). The Court instructed that it does not affect this analysis that Maersk eventually altered the design prior to delivery. The subject of the offer to sell was the unmodified rig and the district court must determine whether this unmodified rig was “the patented invention.” As with the offer to sell, the Federal Circuit held that a contract between two U.S. companies for the sale of the patented invention with delivery and performance in the United States constitutes a sale under § 271(a) as a matter of law. The potentially infringing article was the rig sold in the contract, not the altered rig that Maersk delivered to the United States.

The Court rejected Maersk’s claim that the entire apparatus must have been constructed and ready for use in order to have been sold, citing *NTP, Inc. v. Research in Motion, Ltd.*, 418 F.3d 1282, 1319 (Fed. Cir. 2005). In the Court’s view, whether the schematics in the contract show sale of the patented invention was a genuine issue of material fact sufficient to withstand SJ.

With regard to collateral estoppel, Transocean argued that the issues were not identical in this case and the GSF litigation because there were differences in the facts and the legal standards. Maersk responded, and the Federal Circuit agreed, that these differences were irrelevant because they did not relate to the holding by the GSF court that the modified rig does not infringe. Thus, the Court held that the district court did not err in holding that Transocean was collaterally estopped from arguing that the rig modified in accordance with the GSF injunction infringed any of the asserted claims.

Turning to willfulness, the Federal Circuit agreed with the district court that, as a matter of law, there was no willfulness. The Court found that, although the contract did show that Maersk knew of Transocean’s patents, it also showed intent to avoid infringement. Because, as a matter of law, Maersk’s actions were not objectively reckless, the Court affirmed the district court’s holding of no willfulness.

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**September 2010**

### **Secondary Considerations Not Enough to Overcome Strong Evidence of Obviousness**

*Constance B. Jones*

**Judges: Rader (author), Archer, Prost**  
**[Appealed from N.D. Cal., Judge Alsup]**

In *Geo M. Martin Co. v. Alliance Machine Systems International LLC*, Nos. 09-1132, -1151 (Fed. Cir. Aug. 20, 2010), the Federal Circuit affirmed the district court's JMOL that Geo M. Martin Company's ("Martin") patent is invalid as obvious.

Martin has been in the wood-stacking business for the last forty years and currently has about 90 percent of the stacker market. Recently, Martin invented and began manufacturing a bundle breaker to sell along with its stackers. A "bundle breaker" is a machine used to separate stacked sheets of corrugated board. Martin was granted U.S. Patent No. 6,655,566 ("the '566 patent") for its bundle breaker. The '566 patent claims an improvement over the traditional bundle breaker by providing "compliance structures," which allow a bundle breaker to simultaneously break multiple stacks of corrugated board (logs) of different heights.

Martin's main competitor in the bundle-breaking business is Alliance Machine Systems International LLC ("Alliance"). Alliance also sells bundle breakers that break multiple bundles having uneven heights. Alleging that Alliance's bundle breaker infringed the claims of its '566 patent, Martin sued Alliance for patent infringement. After a jury trial, the jury announced that it could not reach a unanimous verdict. In response, each side filed a renewed motion for JMOL. The district court granted Alliance's JMOL motion on the issue of invalidity, ruling that the '566 patent is invalid as obvious. Martin appealed.

The Federal Circuit held that Martin's bundle-breaking machine would have been obvious to one of skill in the art at the time its application was filed. In its decision, the Court relied on three pieces of prior art that showed Martin's machine was obvious: the Pallmac machine, the Visy machine, and the Tecasa machine.

First, Martin argued that the Pallmac machine was not invalidating prior art because it clamped incoming logs with a compliance structure from the bottom instead of from the top, as in Martin's machine. The Court found that this small difference was insignificant. There were only a discrete number of possible

design options for choosing the location of the compliance structure. According to the Court, bottom versus top is exactly the type of finite number of identified, predictable solutions that justifies a legal conclusion that the result, when expected, is the product not of innovation but of ordinary skill and common sense.

The next piece of prior art, the Visy machine, contained all the claimed elements of Martin's invention, including a compliance structure. However, the Visy machine was never able to consistently break multiple bundles having uneven heights. Martin argued that the Visy machine should not be viewed as prior art against its own invention because it was not commercially productive. The Court disagreed. According to the Court, under an obviousness analysis, a reference need not work to qualify as prior art; it qualifies as prior art, regardless, for whatever is disclosed therein. Therefore, the Court found the fact that the Visy machine did not work in a commercial capacity did not bar it from being cited as prior art against Martin's patent.

Further, Martin claimed that the Visy machine was not prior art because Martin claimed its invention using the Jepson claim "to an improvement in a bundle beaker." Martin argued that an accused infringer must show that any prior art must contain an improvement over and above the improvement recited in the body of the claim. To the contrary, the Court found that although the fact that the patentee has chosen the Jepson form of the claim evidences the intention to use the preamble to define, in part, the structural elements of his claimed invention, the extent of the claimed improvement is defined only by the body of the claim. Thus, if the patentee intended to claim an improvement that included a structure for "reliable breaking" measured against some kind of commercial production standard, it should have explicitly done so. While the Court agreed that prior art must teach a person of ordinary skill to make an apparatus that works for its intended purpose, the Court found the Visy machine did this—just not at production speed.

Finally, the Court reviewed the Tecasa machine. While Martin stipulated that the Tecasa machine met every limitation of every asserted claim, it swore behind the Tecasa machine's prior art date. While the Court agreed that the Tecasa machine could not be used as prior art evidence of obviousness, the Court found it could be used to show simultaneous invention as an indicia of obviousness. Though invented a year after Martin's first reduction to practice, the existence of the Pallmac and Visy machines shows that the Tecasa machine was invented within a comparatively short space of time and qualifies as a simultaneous invention. While this is not determinative of statutory obviousness, the Court found it is strong evidence of what constitutes the level of ordinary skill in the art.

In reviewing secondary considerations of nonobviousness, the Court found that these considerations weighed towards, rather than against, a finding of obviousness. First, while commercially successful, much of Martin's commercial success was due to Martin's pre-existing market share in the stacker market, which allowed Martin to sell a single-source system of stackers and bundle breakers. Second, where the differences between the prior art and the claimed invention are as minimal as they are here, the Court found that it cannot be said that any long-felt need was unsolved. Third, rather than showing failure of others in creating the claimed invention, Martin's superiority was based on its enhanced production speed over and above the claimed ability to handle a plurality of logs. Finally, the Court found the evidence of Alliance's copying of the claimed invention is hardly compelling because a showing of copying is only equivocal evidence of nonobviousness in the absence of more compelling objective indicia of other secondary considerations.

In light of the strong evidence of obviousness based on the Pallmac and Visy prior art coupled with the

near-simultaneous invention of the Tecasa machine, the Court found Martin's objective evidence of nonobviousness would fail to make a difference in this case. The Court affirmed the district court's grant of JMOL that the '566 patent is invalid as obvious.

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**September 2010**

### **Ground Fault Circuit Interrupters Do Not Infringe Two Patents in ITC Investigation**

*Andrew P. Riley*

**Judges: Newman (dissenting), Dyk (author), Prost**  
**[Appealed from ITC]**

In *General Protecht Group, Inc. v. International Trade Commission*, Nos. 09-1378, -1387, -1434 (Fed. Cir. Aug. 27, 2010), the Federal Circuit reversed-in-part the ITC's determination that the importation, sale for importation, or sale within the United States of certain ground fault circuit interrupters ("GFCIs") manufactured by General Protecht Group, Inc. ("GPG"), Wenzhou Trimone Science and Technology Electric Co., Ltd. ("Trimone"), and Shanghai ELE Manufacturing Corp. ("ELE") (collectively "General Protecht"), violated section 337 of the Tariff Act of 1930, as amended, 19 U.S.C. § 1337. Specifically, the Court found that General Protecht's products at issue did not infringe the asserted claims of U.S. Patent Nos. 7,283,340 ("the '340 patent") and 5,594,398 ("the '398 patent"). In this decision, the Federal Circuit did not discuss the ITC's determination that General Protecht's products infringe U.S. Patent No. 7,164,564 ("the '564 patent").

GFCIs are used in electrical outlets with the "test" and "reset" buttons, typically found in bathrooms and kitchens. When a "ground fault" occurs—that is, when the current flowing out from the GFCI does not match the current flowing in on the "neutral" connection of the socket—the GFCI cuts off the flow of electricity to prevent the possibility of electrical shock.

Pass & Seymour, Inc. ("P&S"), the assignee of the patents at issue, filed a complaint with the ITC in September 2007 alleging a violation of section 337 by General Protecht. The ALJ found a violation of section 337 by General Protecht in the Initial Determination. The ITC modified the ALJ's claim construction but affirmed the ALJ's findings of infringement with respect to certain claims and reversed with respect to certain other claims. The ITC issued a limited exclusion order barring entry into the United States of certain GFCIs manufactured by GPG that infringe claims 1 and 7 of the '398 patent and claims 14 and 18 of the '340 patent; certain GFCIs manufactured by Trimone that infringe claims 14 and 18 of the '340 patent; and certain GFCIs manufactured by ELE and found to infringe claims 1, 7, and 8 of the '398 patent and claims 1 and 15 of the '564 patent. General Protecht appealed.

On appeal, the Federal Circuit found that substantial evidence did not support the ITC's conclusion that ELE's 2006 GFCIs infringed claims 14, 18, and 30 of the '340 patent. The ITC adopted the ALJ's

construction for the term “detection circuit” found in independent claim 14 of the '340 patent. According to the ALJ, a “detection circuit” means “at least one detection circuit having a circuit segment connected between the line terminals and configured to generate a predetermined signal in response to detecting a proper wiring condition, which occurs when the line terminals are connected to a source of AC power.” Slip op. at 7-8 (citation omitted). On appeal, ELE argued that its GFCIs did not generate a “predetermined signal” as the claim requires. *Id.* The Federal Circuit agreed and found that the expert testimony relied upon by the ITC to support its infringement conclusion did not show that ELE’s GFCIs generate a signal. Instead, the Court found ELE’s GFCIs merely turn on when the proper current flow from the hot line terminal is present and turn off when that current flow is not present. For the same reasons, the Court found GPG’s 2003 and 2006 GFCIs did not satisfy the “detection circuit” limitation.

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**“We therefore hold that substantial evidence does not support the Commission’s finding that the magnetic latching structure of GPG’s 2006 GFCI is equivalent to the mechanical structure disclosed in the ’398 patent corresponding to the latching means.” Slip op. at 18.**

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The Federal Circuit also found that the ITC erred in its construction of the term “load terminals” found in claim 14 of the '340 patent. Claim 14 requires “four sets of interrupting contacts that are configured to provide electrical continuity between the line terminals and the load terminals in a reset state and configured to interrupt the electrical continuity in tripped state.” On appeal, Trimone argued its GFCIs have only two sets of “interrupting contacts.” The other two sets of contacts counted by the ITC did not satisfy the claim because they were between the line terminals and the GFCI’s receptacle outlets, or electrical sockets, and, Trimone argued, electrical sockets are not “load terminals.” *Id.* at 10-11. The Federal Circuit agreed and found that the '340 patent “never describes receptacle outlets as load terminals.” *Id.* at 12. In addition, the Court found “the circuit diagram drawings in the '340 patent all clearly label the load terminals separately from the receptacle outlets.” *Id.* The Federal Circuit found unpersuasive the ITC’s and P&S’s arguments that expert testimony supported the ITC’s conclusion. The Court noted that “[n]one of the experts identified a particular meaning in the art, and an expert’s subjective understanding of a patent term is irrelevant.” *Id.* Thus, the Court concluded that the ITC erred when it included receptacle terminals within the meaning of “load terminals.” Under this construction, the Court found Trimone’s 2006 GFCIs and ELE’s 2006 GFCIs—that contained only two sets of interrupting contacts—did not infringe the asserted claims of the '340 patent.

Turning to the '398 patent, the Federal Circuit found that substantial evidence did not support the ITC’s conclusion that GPG’s 2006 GFCIs infringe claims 1 and 7 of the '398 patent. Claim 1 of that patent requires a “latching means,” which the ITC construed as a means-plus-function limitation under 35 U.S.C. § 112, ¶ 6. The ALJ found that the structure for performing the claimed “latching means” function was “a pin passing through a hole in the block having a shoulder that cooperates with a hole in the latch member and a spring biasing the pin to retain the conducting member in the first position, and equivalents thereof.” *Id.* at 16 (citation omitted). In its Final Determination, the ITC modified the structure identified by the ALJ “to include the entire ‘latch member,’ and not only the hole therein.” *Id.* at 17 (citation omitted). GPG argued on appeal that its GFCIs performed the claimed function in a substantially different way because its GFCIs used a magnet rather than mechanical elements. Citing its decision in *Toro Co. v. Deere & Co.*, 355 F.3d 1313, 1324 (Fed. Cir. 2004), the Federal Circuit agreed—“one system that accomplishes a function mechanically and another system that accomplishes the same function using magnetic force ‘function in fundamentally different ways.’” Slip op. at 17.

In a dissenting opinion, Judge Newman disagreed with the majority's construction of the term "generate" in the "detection circuit" limitation of the '340 patent. In Judge Newman's view, the accused GFCIs "generated" a signal in response to correct wiring in the same manner as described in the '340 patent, and that the parties and the ITC all agreed on the proper interpretation of the term "generated." Thus, Judge Newman stated that substantial evidence supports the ITC's finding. Similarly, Judge Newman noted that the majority's exclusion of receptacle terminals, or "user load terminals," from the meaning of the term "load terminals" in the '340 patent was contrary to the evidence in the record. According to Judge Newman, substantial evidence, including testimony from ELE's expert, supported the ITC's conclusion. Finally, Judge Newman disagreed with the majority's use of the Court's *Toro* decision as "a pronouncement of law for all mechanical-magnetic substitutions." Newman Dissent at 14. Judge Newman concluded that, contrary to the majority's conclusion, substantial evidence supported the ITC's finding of infringement of the '398 patent.

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**September 2010**

### **Court Adheres to ITC's Claim Construction and the Plain Meaning of Claim Terms**

*Nicole H. Kattah*

**Judges: Newman (concurring), Dyk, Prost (author)**

**[Appealed from ITC]**

In *Pass & Seymour, Inc. v. International Trade Commission*, Nos. 09-1338, -1369 (Fed. Cir. Aug. 27, 2010), the Federal Circuit affirmed the ITC's claim construction and determination that certain accused products do not infringe U.S. Patent Nos. 5,594,398 ("the '398 patent") and 7,212,386 ("the '386 patent"), and therefore do not violate section 337 of the Tariff Act of 1930, as amended.

Pass and Seymour, Inc. ("P&S") is the assignee of the '398 and '386 patents, which relate to improved safety features of circuit interrupters for use with household electrical appliances. The asserted claims were initially construed by an ALJ, and the accused products, produced by General Protecht Group, Inc. ("GPG"), Wenzhou Trimone Science and Technology Electric Co., Ltd. ("Trimone"), and Shanghai ELE Manufacturing Corporation ("ELE"), were found to infringe the '398 and '386 patents. On review, the ITC modified the ALJ's claim constructions of certain disputed terms and reversed the finding of infringement. On appeal, the Federal Circuit reviewed the ITC's claim construction de novo and its factual findings for substantial evidence.

The '398 patent describes improved ground fault circuit interrupters, which operate by detecting a difference in electrical current flowing into and out of the connected appliance, then opening the circuit to disrupt the flow of electrical current. The Court first addressed the construction of an asserted claim term describing the "mounting means" for a conducting member, which permits movement between a first position, where the pair of contacts are in respective, circuit-making engagement with terminals, and a second position, "wherein both of said pair of contacts are in spaced, circuit-breaking relation to said pair of terminals." See slip op. at 8. The ALJ construed the claim term to mean that if either of the two contacts moved into a spaced, circuit-breaking second position, "both" would be in a position that resulted in circuit breaking. Rejecting the ALJ's interpretation, the Court agreed with the ITC's modified construction that the plain language of the claim requires that "both" contacts move into a spaced, circuit-breaking position in relation to the terminals. The Court stated that "if P&S wanted its claim to read on devices where only one contact moved into spaced, circuit breaking relation to the terminals, then it could have written its claim to read, 'wherein *at least one* of said pair of contacts is in spaced, circuit-breaking relation to said pair of terminals.'" *Id.* at 9-10. The Court agreed with the ITC's determination that the

accused products did not contain contacts that “both” move into a spaced second position, and therefore did not meet the literal claim requirements or perform the stated function of the “mounting means” limitation.

The Court next considered the disputed claim term “a unitary, electrically conducting member carrying a pair of spaced electrical contacts,” and agreed with the ITC’s construction that the plain meaning of the term “unitary” requires that both electrical contacts be disposed on the same single unit. The Court found that the specification and prosecution history confirm that the plain meaning is appropriate in the context of this claim limitation. *Id.* at 10 (citing *Phillips v. AWH Corp.*, 415 F.3d 1303, 1316 (Fed. Cir. 2005)).

The Court noted that the specification teaches that “unitary” refers to “the nature of the member’s physical structure, not just its electrical relationship with two contacts.” *Id.* In the accused devices, the electrical contacts are supported on separate plates of metal, connected only by a braided wire.

According to the Court, “It is not enough that the wire is permanently welded to each of the two plates . . . as though it were a single conducting unit.” *Id.* at 11. Rather, the claim language requires the conducting member carrying the pair of contacts “*actually*” be a single conducting unit.

Because the accused products did not meet the “mounting means” limitation, and thus did not meet every limitation of the asserted claims, the Court concluded that there could be no infringement. *Id.* (citing *Warner-Jenkinson Co. v. Hilton Davis Chem. Co.*, 520 U.S. 15, 29 (1997)). The Court added that the finding that some accused products also do not meet the “unitary conducting member” limitation provided an additional reason as to why the accused products do not infringe.

The ’386 patent relates to a device that protects users and appliances from damage caused by miswiring, by generating different types of signals in response to different operating conditions. The Court addressed the disputed claim term describing a circuit interrupter coupled to the actuator assembly, “the circuit interrupter being configured to disconnect the first conductive path from the second conductive path in response to the actuator signal in the reset state.” Slip op. at 12. The Court agreed with the ITC’s construing of the claim to mean that the circuit interrupter had to be configured to trip in response to the actuator signal, or ultimately in response to the wiring state detection signal, in the reset state. According to this interpretation, the Court held that it follows that the patented device must be configured to trip in response to a signal that the device is properly wired, which the ITC acknowledged “was not perfectly logical, and may have been the result of a claim drafting error.” *Id.* The Court added that the wiring state detection circuit and the actuator assembly claim elements do not contain limitations as to the circuit state. As a result, these components of the device must generate their respective signals at least once, without regard to the state of the device (i.e. reset or tripped).

P&S’s objection relied on a statement in the specification that “the wiring state detection circuit operates when the line terminal is powered and the appliance is properly wired, and not when it is improperly wired.” *Id.* at 14. P&S argued that it makes no sense to require a miswiring protection device to be configured to trip a properly wired appliance and not an improperly wired appliance. The Court explained, however, that the plain language of the claims did not allow for an exception to the consequence described above. Therefore, even though a device may include additional wiring state detection circuits that generate signals only in the tripped state, it must still contain at least one wiring state protection circuit that generates a signal at least once when power is applied, without respect to the state of the device. Because the accused products did not contain such a circuit, *id.* at 15 (citing *Warner-Jenkinson*, 520 U.S. at 29), the Court affirmed the ITC’s finding of noninfringement, and determination that importation and sale of the accused products into the United States does not violate section 337 of

the Tariff Act.

In a concurring opinion, Judge Newman wrote that the Court erred in the construction and application of the clause in the '386 patent, "circuit interrupter" in interaction with the "actuator assembly." Judge Newman stated that claim construction requires conformity with the description of the invention in the specification. Newman Concurrence at 2 (citing *Phillips*, 415 F.3d at 1315). Judge Newman added that, in this case, "[t]he court's understanding of the claims as requiring tripping of the circuit whenever the device is wired properly, is contrary to the purposes, function, and operation of the claimed device. It is not the claim that is not 'logical,' it is the claim construction that defies the specification." *Id.* at 3 (footnote and citation omitted). Judge Newman agreed with the ITC's construction and conclusion that a device configured to disconnect in response to an actuator signal received in response to a wiring state detection signal in the reset state need not actually generate a wiring state detection signal in the reset state, and therefore need not actually trip when properly wired (although it must be configured to do so). Judge Newman concluded that she would adhere to the ITC's construction and accordingly find that the accused products do not infringe the claims at issue in the '386 patent.

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### **En Banc Court Finds No Patent Misuse Where a Third Party Agrees Not to Separately License Competitive Technology**

*Garth D. Baer*

**Judges: Rader, Newman, Mayer (concurring-in-part), Lourie, Bryson (author), Gajarsa (dissenting), Linn, Dyk (dissenting), Prost (concurring-in-part), Moore**

**[Appealed from ITC]**

In *Princo Corp. v. International Trade Commission*, No. 07-1386 (Fed. Cir. Aug. 30, 2010) (en banc), the Federal Circuit affirmed the ITC's determination that the doctrine of patent misuse did not bar the patentee, U.S. Philips Corporation ("Philips"), from enforcing its patent rights against Princo Corporation and Princo America Corporation (collectively "Princo").

This case began when Philips commenced a proceeding before the ITC, alleging that Princo was importing recordable compact discs ("CDs") that infringed two of Philips's patents, referred to as the "Raaymakers patents." The Raaymakers patents are directed to the encoding of position information on a disc so that a consumer's CD reader/writer could maintain proper positioning while writing data to the disc. In its defense, Princo asserted that Philips's Raaymakers patents were unenforceable based on the doctrine of patent misuse. Among other arguments, Princo contended that Philips had improperly forced Princo and other licensees, as a condition of licensing patents that were necessary to manufacture CDs, to take licenses to other patents not necessary to manufacture those products. In particular, Princo alleged that Philips forced its licensees to license Sony Corporation's ("Sony") "Lagadec patent," which is directed to a method of encoding location codes on the disc grooves—an alternative method of encoding to the approach taken in the Raaymakers patents. The approach taken in the Raaymakers patents was selected for incorporation in the standard for manufacturing CDs.

The ITC agreed with Princo that Philips's patents were unenforceable because Philips's package licensing practice constituted patent misuse for unlawfully tying patents that were essential for the manufacturing standard to licenses for other patents that were not essential. After the Federal Circuit reversed and remanded, the ITC ultimately rejected Princo's misuse defense. Princo appealed.

The Federal Circuit agreed to hear the appeal en banc to determine whether an agreement between Philips and Sony to suppress potentially competing technology embodied in Sony's Lagadec patent would constitute patent misuse and would therefore be a defense to Philips's infringement claim against Princo. Specifically, the Court considered whether Philips had misused the asserted Raaymakers

patents (1) by agreeing with Sony to jointly license the Raaymakers patents together with the Lagadec patent and providing, as part of that agreement, that the alternative technology embodied in the Lagadec patent would not be licensed in competition with the Raaymakers technology; and (2) by securing an agreement from the licensees of the Raaymakers and Lagadec patents barring them from using the Lagadec patent to develop an alternative technology that would compete with the Raaymakers technology. The en banc Court ultimately affirmed the ITC's finding that the agreements did not constitute misuse.

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**“What Princo had to demonstrate was that there was a ‘reasonable probability’ that the Lagadec technology, if available for licensing, would have matured into a competitive force in the storage technology market.” Slip op. at 38.**

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The Court explained that Philips's alleged misuse did not involve the Raaymakers patents that were the subject of Princo's infringing activities. Instead, the alleged misuse concerned an anticompetitive agreement to suppress technology covered by Sony's Lagadec patent. While an improper anticompetitive agreement to suppress competing technology might have increased the licensing value of the Raaymakers patents, and while such an agreement might itself be vulnerable to challenge under antitrust laws, the Court refused to characterize the agreement as misuse of the Raaymakers patents. According to the Court, a misuse allegation must relate directly to the alleged misused patent and not merely to a collateral agreement that might impact the value of an otherwise enforceable patent. Thus, because the alleged agreement between Philips and Sony did not specifically leverage the Raaymakers patents, it did not impermissibly enlarge the physical or temporal scope of those patents, and the majority was therefore unwilling to immunize Princo against the legal effects of its infringing conduct.

The Court went on to articulate a second reason why Princo could not find protection from infringement prosecution in its misuse allegation—Princo had failed to show either that the alleged agreement to suppress the Lagadec technology was per se anticompetitive, or that, as a factual matter, the agreement's overall effect was to restrain competition unlawfully in the relevant market. As for Princo's allegation that the agreement between Philips and Sony was per se anticompetitive, the Court stated that “[a]lthough joint ventures can be used to facilitate collusion among competitors and are therefore subject to antitrust scrutiny, research joint ventures such as the one between Philips and Sony can have significant procompetitive features, and it is now well settled that an agreement among joint venturers to pool their research efforts is analyzed under the rule of reason.” Slip op. at 30 (citation omitted).

While the Court recognized that the Lagadec technology provided a potential alternative to the Raaymakers technology, it ultimately viewed the agreement between Philips and Sony as a legitimate exchange of assurances that the resources invested by one party to a joint venture would not be undermined or competitively exploited to the sole benefit of the other.

Absent a finding of a per se anticompetitive agreement, the Court next considered whether Princo had shown that the challenged agreement had a significant anticompetitive effect under a rule-of-reason analysis, and concluded that it had not. To support its conclusion, the Court noted that the Lagadec technology was not a commercially viable technological alternative to the Raaymakers patents, nor was it likely to become so. Thus, the majority affirmed the ITC's orders granting relief against Princo.

In a separate concurring opinion, which Judge Mayer joined, Judge Prost agreed that the patent misuse defense was unwarranted in this case because Princo failed to show that the alleged agreement between Sony and Philips had anticompetitive effects. However, Judge Prost took issue with the majority's view that antitrust considerations are an entirely different issue, separate from the question of whether there has been patent misuse. Instead, Judge Prost explained that whether use of a patent runs afoul of antitrust law seemed probative of whether the patent owner had also misused the patent, and she would not foreclose a finding of patent misuse based, at least in part, on finding an antitrust violation. Unlike the majority, Judge Prost would be willing to consider whether the combined effect of an agreement to license the Raaymakers patents, but not the Lagadec patent, might amount to misuse. However, because Princo's failure to show that the alleged agreement between Sony and Philips had anticompetitive effects was sufficient to affirm the ITC's judgment, Judge Prost opted to refrain from articulating the precise metes and bounds of the patent misuse doctrine.

In a separate dissenting opinion, which Judge Gajarsa joined, Judge Dyk viewed Sony and Philips's noncompete agreement as part and parcel of the agreements governing the asserted Raaymakers patents because the noncompete agreement was designed to protect the Raaymakers patents from competition from the alternative Lagadec technology. The agreement to suppress the Lagadec technology, according to the dissent, was therefore enough to constitute misuse of the Raaymakers patents. As to the anticompetitive effect analysis, Judge Dyk reasoned that an agreement between competitors not to compete was a classic antitrust violation and that, given the inherently suspect nature of Philips's agreement to suppress the Lagadec technology, the burden should have been on Philips to offer a plausible competitive justification for the restraint.

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## *Last Month at the Federal Circuit*

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**September 2010**

### **Plaintiff in False Marking Suit Has Standing and Government May Intervene**

*Joyce Craig*

**Judges: Rader, Lourie (author), Moore**

**[Appealed from S.D.N.Y., Judge Stein]**

In *Stauffer v. Brooks Brothers, Inc.*, Nos. 09-1428, -1430, -1453 (Fed. Cir. Aug. 31, 2010), the Federal Circuit reversed a decision dismissing Raymond E. Stauffer's false marking *qui tam* action for lack of standing and a decision denying the federal government's motion to intervene.

Brooks Brothers, Inc. and its parent, Retail Brand Alliance, Inc. (collectively "Brooks Brothers"), manufacture and sell men's bow ties. Some of the Brooks Brothers bow ties contain an "Adjustolox" mechanism that is manufactured by a third party, J.M.C. Bow Company, Inc. ("J.M.C. Bow"), and are marked with U.S. Patent Nos. 2,083,106 and 2,123,620, which expired in 1954 and 1955, respectively. Stauffer is a patent attorney who has purchased some of the marked bow ties. Stauffer brought a *qui tam* action under 35 U.S.C. § 292 alleging that Brooks Brothers had falsely marked its bow ties. Section 292, the "false marking" statute, provides that "[w]hoever marks upon, or affixes to . . . any unpatented article, the word "patent" or any word or number importing that the same is patented, for the purpose of deceiving the public . . . [s]hall be fined not more than \$500 for every such offense." It further provides that "[a]ny person may sue for the penalty, in which event one-half shall go to the person suing and the other to the use of the United States."

Brooks Brothers moved to dismiss Stauffer's complaint pursuant to Fed. R. Civ. P. 12(b)(1) for lack of standing and pursuant to Fed. R. Civ. P. 12(b)(6) for failure to allege an intent to deceive the public with sufficient specificity to meet the heightened pleading requirements for claims of fraud. The district court granted Brooks Brothers' motion pursuant to Rule 12(b)(1), concluding that Stauffer lacked standing. The government then moved to intervene. The district court denied the motion, finding no basis for the government to intervene as of right and finding the showing for permissive intervention insufficient. Stauffer timely appealed.

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**"Congress has, by enacting section 292, defined an injury in fact to the United States." Slip op. at 9.**

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On appeal, the Federal Circuit first considered the question of standing. The Court agreed with the government and Stauffer that Stauffer had standing to sue Brooks Brothers and that the district court erred in dismissing Stauffer's suit for lack of standing based on a lack of injury in fact. The government argued that the United States' interest in seeing its laws enforced itself leads to an injury in fact when those laws are not obeyed. The government also asserted that the United States has a proprietary interest in receiving half of the recovery in a suit under section 292. Stauffer argued that the public is injured by false marking and has suffered an injury in fact sufficient to confer standing. Stauffer also asserted that he has individually been injured as a member of the public, thereby demonstrating another injury to the public.

The Court noted that a plaintiff must show (1) that he has suffered an "injury in fact," an invasion of a legally protected interest that is "(a) concrete and particularized, and (b) actual or imminent, not conjectural or hypothetical"; (2) that there is "a causal connection between the injury and the conduct complained of"; and (3) that the injury is likely to be redressed by a favorable decision. Slip op. at 8 (citing *Lujan v. Defenders of Wildlife*, 504 U.S. 555, 560-61 (1992)). The Court pointed out that section 292(b) is a *qui tam* provision, "i.e., a statute that authorizes someone to pursue an action on behalf of the government as well as himself." *Id.* (citation omitted). The Court noted that "Congress has, by enacting section 292, defined an injury in fact to the United States." *Id.* at 9. Thus, the Court concluded that the United States' sovereign injury was sufficient to confer standing upon it and therefore upon Stauffer, as "its implicit partial assignee." *Id.* at 11-12. The Court declined to address whether Stauffer's alleged injuries to himself or his asserted injuries to competition give him standing, either individually or as a member of the public. The Court reversed the district court's decision, concluding that Stauffer did not have standing, and remanded for the district court to address the merits of the case, including Brooks Brothers' motion to dismiss pursuant to Rule 12(b)(6) "on the grounds that the complaint fails to state a plausible claim to relief because it fails to allege an 'intent to deceive' the public—a critical element of a section 292 claim—with sufficient specificity to meet the heightened pleading requirements for claims of fraud imposed by" Rule 9(b). *Id.* at 14 (citation omitted).

Next, the Federal Circuit concluded that the district court abused its discretion under Second Circuit law in denying the government's motion to intervene. In the Second Circuit, a court "by definition abuses its discretion when it makes an error of law," *id.* at 15 (citing *Cordes & Co. Fin. Servs. v. A.G. Edwards & Sons, Inc.*, 502 F.3d 91, 98 (2d Cir. 2007)), and the Federal Circuit agreed with the government that the district court made an error of law in denying the government's motion to intervene under Fed. R. Civ. P. 24(a)(2). Specifically, the Court found that the government has an interest in enforcement of its laws and in one half the fine that Stauffer claims, and Stauffer may not adequately represent that interest.

Moreover, the Court found that the government would not be able to recover a fine from Brooks Brothers if Stauffer loses, as *res judicata* would attach to claims against Brooks Brothers for the particular markings at issue. Accordingly, the Court reversed the district court's decision denying the government's motion to intervene.

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