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Last Month at the Federal Circuit

December 2011

Computer-Implemented Algorithm Recited in Prose Discloses Adequate Structure for Means-Plus-Function Element

Typhoon Touch Technologies, Inc. v. Dell, Inc.
No. 09-1589 (Fed. Cir. Nov. 4, 2011)
[Appealed from E.D. Tex., Judge Davis]

The Objective Prong of the Willful Infringement Inquiry May Require Analysis by Both the Court and the Jury

Powell v. Home Depot U.S.A., Inc.
Nos. 10-1409, -1416 (Fed. Cir. Nov. 14, 2011)
[Appealed from S.D. Fla., Judge Hurley]

Spotlight Info

Looking Ahead

Prevailing Party Required to Provide Adequate Documentation to Recover Costs Under 28 U.S.C. § 1920

In re Ricoh Co. Patent Litigation
No. 11-1199 (Fed. Cir. Nov. 23, 2011)
[Appealed from N.D. Cal., Judge Ware]

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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Last Month at the Federal Circuit

December 2011

[Back to Main](#)

Spotlight Info

In *In re Ricoh Co. Patent Litigation*, No. 11-1199 (Fed. Cir. Nov. 23, 2011), the Federal Circuit affirmed-in-part, reversed-in-part, and vacated-in-part the district court's award of costs to Synopsys, Inc. ("Synopsys") under 28 U.S.C. § 1920 and remanded for further proceedings.

After the Court affirmed the district court's grant of SJ of noninfringement in a previous appeal, the district court on remand awarded Synopsys nearly \$939,000 under 28 U.S.C. § 1920, including amounts for an electronic document database, exemplification fees and copy costs, and deposition and interpreter costs. Ricoh Company, Ltd. ("Ricoh") again appealed. With respect to the award for the electronic document database, the Court reversed, determining that the parties' agreement for cost-sharing was controlling. On the portion of the award for exemplification fees and copy costs, the Court found that the district court abused its discretion because Synopsys did not meet its burden of proof to establish the amount of costs to which it was entitled. Finally, the Court affirmed the district court's award for the transcription of depositions and interpreter fees, concluding under Ninth Circuit law that at the time the depositions were taken, it was reasonable to expect those depositions were for the purpose of trial preparation and that the translation costs were necessary in connection with several of the depositions. Accordingly, the Court remanded for further proceedings consistent with its opinion.

See this month's edition of *Last Month at the Federal Circuit* for a full summary of this decision.

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Last Month at the Federal Circuit

December 2011

[Back to Main](#)

Looking Ahead

On December 1, 2011, in *Teva Pharmaceutical Industries Ltd. v. AstraZeneca Pharmaceuticals LP*, No. 11-1091 (Fed. Cir. Dec. 1, 2011), the Federal Circuit affirmed the district court's SJ in favor of AstraZeneca Pharmaceuticals LP ("AstraZeneca") invalidating several of Teva Pharmaceutical Industries Ltd.'s ("Teva") patent claims based on AstraZeneca's prior invention under 35 U.S.C. § 102(g)(2). The Court determined that for prior invention of a claim to a pharmaceutical composition comprising a stabilizing effective amount of a particular compound, AstraZeneca "had to appreciate that the compound it asserted as its invention was stable and what the components of [the] formulation were. . . . However, AstraZeneca did not need to appreciate which component was responsible for the stabilization." Slip op. at 12. The Court rejected Teva's argument to the contrary because such result would effectively require a prior inventor to "conceiv[e] of its drug in the same words in which Teva later chose to claim it." *Id.* Thus, because the invention is the subject matter defined by the claims and not the language of the claims themselves, the Federal Circuit affirmed the district court's finding of invalidity. Read the full summary in next month's edition of *Last Month at the Federal Circuit*.

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Last Month at the Federal Circuit

December 2011

[Back to Main](#)

Computer-Implemented Algorithm Recited in Prose Discloses Adequate Structure for Means-Plus-Function Element

*Lauren J. Dreyer**

Judges: Rader, Newman (author), Prost
[Appealed from E.D. Tex., Judge Davis]

In *Typhoon Touch Technologies, Inc. v. Dell, Inc.*, No. 09-1589 (Fed. Cir. Nov. 4, 2011), the Federal Circuit affirmed the district court's construction of four claim terms but reversed its judgment of indefiniteness for a means-plus-function element.

Typhoon Touch Technologies, Inc. ("Typhoon") sued a number of manufacturers and sellers of laptop computers and other tablet-like devices, alleging infringement of its U.S. Patent Nos. 5,379,057 ("the '057 patent") and 5,675,362 ("the '362 patent"). The '057 patent and the related '362 patent are both titled "Portable Computer with Touch Screen and Computer System Employing Same." The '057 and '362 patents disclose a "portable, self-contained, general-purpose, keyboardless computer" with a "touch screen display for data entry purposes," reciting the deficiencies of portable devices that require a keyboard.

The district court found four of the claim elements required that an infringing device must actually perform, or be configured or programmed to perform, each of the claimed functions, resulting in a judgment of noninfringement for all defendants. Finding a fifth claim element invalid for indefiniteness, the district court held that the element lacked sufficient structure, under means-plus-function claiming, by failing to recite an algorithm for the claimed function. Typhoon appealed.

Taking up first the four constructions that resulted in a judgment of noninfringement, the Federal Circuit considered the element of a "memory for storing at least one data collection application configured to determine contents and formats of said inquiries displayed on said screen." The district court found this clause required a memory actually configured or programmed to store the data collection application. Typhoon argued, on appeal, that requiring an infringing device to be configured or programmed to perform the memory-storing function incorrectly included a "use" limitation in an apparatus claim. Rather, Typhoon argued that a device may infringe if it is merely capable of performing each claimed function, even though it is not so configured or programmed. The Court, however, relied on the specification as the primary source for determining the invention, which recited that "[t]he memory of the portable computer stores a data collection application." Slip op. at 8 (citation omitted). On this basis, the Court found no error in the district court's construction that the "memory for storing" clause required a device actually configured or programmed to store the data collection application.

“[I]t suffices if the specification recites in prose the algorithm to be implemented by the programmer.” Slip op. at 18-19.

Next, the Court considered the district court's construction of "processor for executing said data collection application." Again, the district court construed this clause as requiring a processor actually configured or programmed to execute the data collection application rather than merely being capable of executing the data collection application. Reviewing the district court's construction, the Court noted the inconsistencies between Typhoon's current position and the prosecution history. In response to a rejection, the applicant narrowed the claims to executing data collection applications. Based on the specification and this disclosure, the Court agreed with the district court's construction, binding the patentee to representations made during the prosecution of the patents.

Third, the Court considered the element of a "run-time utility operating in conjunction with said processor to execute said application and said libraries to facilitate data collection operations." The district court found the "operating in conjunction" phrase needed no construction because the meaning was clear. Once again, Typhoon argued that the district court incorrectly deemed the claimed element required that the utility operates in conjunction with the processor rather than being merely capable of doing so. Looking to the specification again, the Court found it recited a "portable computer . . . specifically adapted for facilitated data collection and recordation." This language satisfied the Court that the district court did not err in construing the "operating in conjunction" phrase as requiring the utility be configured or programmed to operate in conjunction with the processor.

Fourth, the Court considered the district court's construction of "keyboardless" as meaning "without a mechanically integrated keyboard." On appeal, Typhoon argued this definition of "keyboardless" was too restrictive, because "keyboardless" meant the device did not require a separate keyboard. The infringing devices, Typhoon argued, could have a separate keyboard if a touch screen rendered the keyboard unnecessary. The Court therefore considered whether the patentee ascribed a special meaning to the term "keyboardless" other than the ordinary meaning "without a keyboard." Looking again to the patentee's own language in the specification, the Court distinguished a mechanically integrated keyboard from a "hooked up" peripheral keyboard. The Court found that the '057 and '362 patents described no device having a mechanically integrated keyboard. Instead, the specification proposed that an external keyboard may be "hooked up." And while the specification criticized mechanical keyboards as laborious or tedious, it touted the advantages of touch-screen keyboards. With these representations made in the specification, the Court affirmed the district court's construction of "keyboardless" as "without a mechanically integrated keyboard."

Because Typhoon stipulated to noninfringement on the district court's construction of these four claim terms, the Federal Circuit affirmed the noninfringement judgment.

The Federal Circuit then considered the fifth claim element, which the district court found indefinite and invalid. In the phrase "means for cross-referencing said responses with one of said libraries of said possible responses," the district court found this means-plus-function element lacked an "algorithm" adequate to provide structure for the function. The Federal Circuit explained that an algorithm "encompasses 'in essence a series of instructions for the computer to follow,' whether in mathematical formula, or a word description of the procedure to be implemented by a suitably programmed computer." *Id.* at 15 (citation omitted). Because "algorithm" has broad meaning in computer systems, a patentee can express it as a mathematical formula, in prose, as a flowchart, or any other manner that provides sufficient structure "for a person of skill in the field to provide an operative software program for the specified function." *Id.* at 16.

Here, the Court found that the patentee did disclose a four-step algorithm for its computer-implemented cross-referencing function, described in prose as (1) entering a response; (2) searching for the entered response in a library of responses; (3) determining whether a match exists in the library; and (4) executing an action if a match exists. And in rejecting the finding of indefiniteness, the Federal Circuit explained that the district court placed too much weight on Typhoon's statement that the specification did not explicitly disclose the specific algorithm for cross-referencing. The Court found that this did not constitute a "concession," for a patentee need not disclose computer code nor a mathematical algorithm in the specification. "[I]t suffices if the specification recites in prose the algorithm

to be implemented by the programmer.” *Id.* at 18-19. Accordingly, the Federal Circuit found that the four-step written algorithm disclosed adequate structure for the means-plus-function element and reversed the district court’s finding of invalidity for indefiniteness.

Thus, the Court affirmed the district court’s finding of noninfringement and reversed the district court’s finding of invalidity for indefiniteness.

**Lauren J. Dreyer is a law clerk at Finnegan.*

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Last Month at the Federal Circuit

December 2011

[Back to Main](#)

The Objective Prong of the Willful Infringement Inquiry May Require Analysis by Both the Court and the Jury

Shana K. Cyr

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

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

In *Powell v. Home Depot U.S.A., Inc.*, Nos. 10-1409, -1416 (Fed. Cir. Nov. 14, 2011), the Federal Circuit affirmed the district court's denial of JMOL in favor of Home Depot U.S.A., Inc. ("Home Depot") on the issues of infringement, willfulness, and damages, and affirmed the district court's conclusions as to claim construction, inequitable conduct, and attorneys' fees.

Michael Powell is the owner of U.S. Patent No. 7,044,039 ("the '039 patent"), directed to guards for radial arm saws. Mr. Powell had a business relationship with Home Depot for the installation and repair of radial arm saws used to cut raw lumber for Home Depot's customers. After noticing that its employees were suffering injuries while operating the radial arm saws, Home Depot turned to Mr. Powell, who presented Home Depot with saw guard prototypes. Home Depot ordered production units for use and testing in stores, and Mr. Powell filed the patent application that issued as the '039 patent. Home Depot invited another company to view Mr. Powell's invention, and hired the company to build nearly identical copies of the invention at a lower price. Mr. Powell continued to confer with Home Depot, but could not reach an agreement to supply it with saw guards at the price Home Depot offered to pay. The '039 patent subsequently issued, and Mr. Powell sued Home Depot for infringement.

At the trial, the jury unanimously found that Home Depot willfully and literally infringed the '039 patent, and awarded Mr. Powell \$15 million in damages. The district court enhanced damages by an additional \$3 million and awarded attorneys' fees totaling \$2.8 million. The final judgment against Home Depot totaled over \$23.9 million, including prejudgment interest. Home Depot appealed, challenging the district court's denial of its renewed JMOL on the issues of infringement, willfulness, and damages; and the court's determinations on claim construction, inequitable conduct, and attorneys' fees. Mr. Powell conditionally cross-appealed, seeking enhanced damages if, for example, the compensatory damage award were reduced.

The Federal Circuit first addressed Home Depot's challenge to the district court's construction of the claim terms "dust collection structure" and "table top." The Court found that the claim language, the written description, and the meaning to persons of ordinary skill indicated that Home Depot failed to rebut the presumption that the term "dust collection structure" is not a means-plus-function limitation. The Court noted that, according to the experts, the two requirements of the district court's claim construction for "dust collecting structure" were embodied within the accused product, and concluded that the jury was entitled to rely on this testimony in finding infringement. Based on the consistent disclosure in the claims and specification, the Court found that the district court's construction of the term

“table top” was also correct, and that the jury was entitled to rely on the expert testimony to conclude that Home Depot infringed the “table top” element under the district court’s claim construction.

“In circumstances . . . where separate issues of fact and law are presented by an alleged infringer as defenses to willful infringement, the objective recklessness inquiry [of willful infringement] may require analysis by both the court and the jury.” Slip op. at 21.

Regarding inequitable conduct, the Court held that, “[w]here, as here, the patent applicant fails to update the record to inform the PTO that the circumstances which support a Petition to Make Special no longer exist—that conduct does not constitute inequitable conduct.” Slip op. at 18. The Court reasoned that such conduct “obviously fails the but-for materiality standard and is not the type of unequivocal act . . . that would rise to the level of ‘affirmative egregious misconduct.’” *Id.* (citation omitted).

The Court next addressed willful infringement and, specifically, the parties’ disagreement as to whether the jury is the sole decider of the objective prong of the willful infringement inquiry. The Court held that “[i]n circumstances . . . where separate issues of fact and law are presented by an alleged infringer as defenses to willful infringement, the objective recklessness inquiry [of willful infringement] may require analysis by both the court and the jury.” *Id.* at 21. The Court found that the district court properly considered the denial of a preliminary injunction and unenforceability in analyzing the objective prong. The Court concluded that the jury’s verdict was supported by substantial evidence, and affirmed the district court’s determination to deny JMOL in favor of Home Depot on the issue of willful infringement.

Regarding damages, the Court dismissed Home Depot’s argument that a reasonable royalty could not exceed Mr. Powell’s expected profits from selling saw guard units to Home Depot. The Court stated that it was not convinced that the jury’s damages award was unsupported, based on the extensive evidence Mr. Powell presented to the jury. The Court reasoned that the jury was entitled to choose a damages award within the amounts advocated by the parties, that the award was not so outrageously high as to be unsupported, and that the award was within the range encompassed by the record as a whole. The Court affirmed the district court’s denial of JMOL in favor of Home Depot on damages. The Court also concluded that, based on the record before it, it detected no abuse of discretion in the enhanced damages award or the grant of attorneys’ fees.

Judge Dyk concurred-in-part and dissented-in-part, stating that although he agreed with the majority with respect to claim construction, infringement, inequitable conduct, damages, and the legal framework for willfulness, he would find that Home Depot’s defense was not objectively unreasonable, at least with respect to its proposed claim construction of the term “table top.” Judge Dyk stated that because he would hold that Mr. Powell did not prove the objective prong of the willful infringement inquiry by clear and convincing evidence, he would set aside the willfulness finding and the enhanced damages award.

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[Back to Main](#)

Prevailing Party Required to Provide Adequate Documentation to Recover Costs Under 28 U.S.C. § 1920

Matthew T. Nesbitt

Judges: Lourie, Bryson, Dyk (author)

[Appealed from N.D. Cal., Judge Ware]

In *In re Ricoh Co. Patent Litigation*, No. 11-1199 (Fed. Cir. Nov. 23, 2011), the Federal Circuit affirmed-in-part, reversed-in-part, and vacated-in-part the district court's award of costs to Synopsys, Inc. ("Synopsys") under 28 U.S.C. § 1920 and remanded for further proceedings.

Ricoh Company, Ltd. ("Ricoh") owns U.S. Patent No. 4,922,432 ("the '432 patent"), which claims a system and process for designing application-specific integrated circuits. In January 2003, Ricoh asserted the '432 patent against several of Synopsys's customers and Synopsys responded by filing a DJ action against Ricoh. Ultimately, the district court granted Synopsys's motion for SJ of noninfringement. In a first appeal, the Federal Circuit affirmed.

After judgment was entered, Synopsys, as the prevailing party, filed a bill of costs. Ricoh contested the bill of costs and, ultimately, the trial court awarded Synopsys nearly \$939,000 under 28 U.S.C. § 1920. The award included approximately \$235,000 for an electronic document database under 28 U.S.C. § 1920(4); approximately \$323,000 for exemplification fees and copy costs under § 1920(4); and approximately \$131,000 for deposition and interpreter costs under § 1920(2) and (6), respectively. Ricoh again appealed.

The Federal Circuit first addressed the district court's award of \$235,000 to Synopsys for a third-party electronic document database maintained by Stratify. The Court concluded that the district court did not abuse its discretion in concluding that such costs were taxable as a means of document production because electronic production of documents "can constitute 'exemplification' or 'making copies' under section 1920(4)," absent an agreement to the contrary. Slip op. at 6-7. The Federal Circuit determined, however, that because the parties had contractually agreed during the litigation to share the cost of Stratify and never indicated that the cost-sharing was only temporary, the parties' agreement was controlling. Thus, because the parties had "agreed to the contrary," the Federal Circuit reversed the district court's award of approximately \$235,000 for Synopsys's share of the database.

"Section 1920 allows the recovery of costs for a prevailing party who establishes that the copied documents were produced by it pursuant to Rule 26 or other discovery rules and that the copies were requested by, and supplied to, the opposing party." Slip op. at 11.

Second, the Federal Circuit found that the district court abused its discretion by awarding approximately

\$323,000 in document copying costs because Synopsys did not meet its burden under § 1920 to establish the amount of costs to which it was entitled. The Federal Circuit concluded that it was unable, in many instances, to determine from Synopsys's Revised Bill of Costs what documents were being reproduced and to which side the copies were ultimately provided. The Court noted that a prevailing party seeking to recover copying costs related to its own document production must establish in connection with its Bill of Costs (1) "that the reproduced documents were produced by it pursuant to Rule 26 or other discovery rules"; (2) "that they were copied at the prevailing party's expense and at the request of the opposing party"; and (3) "that the copies were tendered to the opposing party." *Id.* at 12. Accordingly, the Federal Circuit vacated and remanded to the district court to consider additional documentation and/or affidavits from the parties to demonstrate which copies were produced pursuant to the rules of discovery and ultimately provided to Ricoh.

Finally, the Federal Circuit concluded that the trial court's award of approximately \$131,000 for transcriptions of depositions and interpreter fees incurred during those depositions was not an abuse of discretion. The Court concluded that Ninth Circuit law was clear that "a document need not be offered as evidence to have been necessarily obtained for use in the case," in accordance with § 1920. *Id.* at 14. Thus, the district court did not err by including the costs for all of the depositions taken after determining that, at the time they were taken, it was reasonable to expect that they were for the purpose of trial preparation. Thus, the Federal Circuit affirmed the award of costs for paper and videotaped depositions as well as the costs for interpreters because translation was necessary in connection with several of the depositions.

Accordingly, the Court affirmed-in-part, reversed-in-part, and vacated-in-part the district court's award of costs to Synopsys and remanded for further proceedings.

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