Knobbe Martens
INTELLECTUAL PROPERTY LAW

IP FOR A NEW AGE®

Federal Circuit Review

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Smartphone War Update: Some of Apple's Patents Survive Invalidity Challenge

In ***Apple, Inc. v. U.S. International Trade Commission***, Appeal No. 12-1338, the Federal Circuit affirmed in part, reversed in part, and vacated in part ITC judgments of invalidity based on anticipation and obviousness, and vacated the ITC judgment of non-infringement.

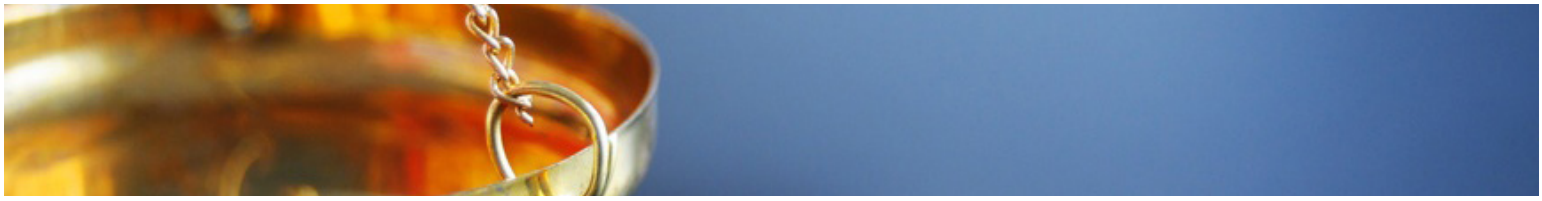
Apple initiated proceedings at the ITC, alleging that Motorola's smartphones and tablets infringed claims of two patents concerning mobile phone screens. The claims were divided into three groups: "touch panel" claims, a "pixelated image" claim, and "ellipse" claims. The ITC determined that the touch panel and pixelated image claims were anticipated by and would have been obvious over multiple references, including the Perski and SmartSkin references. The ITC also determined that Motorola did not infringe the ellipse claims.

The Federal Circuit affirmed that the Perski reference anticipated the touch panel claims. However, the Federal Circuit reversed on the pixelated image claim, determining that the Perski reference did not disclose the pixelated image limitation. Motorola's assertion that this functionality was incorporated by reference failed because Perski made only a passing reference to the art containing the limitation. The Perski reference did not specifically identify with detailed particularity the material to be incorporated.

The Federal Circuit also vacated the ITC's finding of obviousness over SmartSkin for the pixelated image claim. Although the Federal Circuit agreed with the ITC's analysis of the references, the Federal Circuit found that the ITC should have considered Apple's compelling evidence of the success of the commercial embodiment of the claims, the iPhone.

Regarding the ellipse claims, the Federal Circuit vacated the ITC's finding of non-infringement because the ITC had misconstrued the phrase "mathematically fitting an ellipse". The Federal Circuit considered the plain language, claim differentiation, and the intrinsic record and held that nothing required that an ellipse be actually fitted to the touch screen. Instead, the correct construction of "mathematically fitting an ellipse" only required a method of calculating the parameters that define an ellipse.

In This Issue



Sale by Foreign Supplier Invalidated Patent

In ***Hamilton Beach Brands, Inc. v. Sunbeam Products, Inc.***, Appeal No. 12-1581, the Federal Circuit affirmed the district court's judgment of invalidity under the on-sale bar of 35 U.S.C. § 102(b).

Hamilton Beach sued Sunbeam for infringing a patent relating to a portable slow cooker. The district court granted Sunbeam's motion for summary judgment of non-infringement and invalidity. The district court determined that the asserted patent was invalid based on prior sales of a commercial implementation of the asserted claims. The district court found that Hamilton Beach's purchase order with its foreign supplier more than one year before the earliest priority date amounted to an invalidating commercial offer for sale, because a binding contract was formed when the supplier responded to Hamilton Beach's purchase order.

The Federal Circuit affirmed the district court's holding that the asserted claims were invalid based on the on-sale bar, but the Federal Circuit held that a binding contract is not necessary to trigger the on-sale bar. Rather, the invalidating offer for sale occurred when the supplier replied to Hamilton Beach's purchase order and stated that the supplier would begin production of the slow cookers for the U.S. market. Accordingly, a binding contract could be formed by Hamilton Beach's acceptance of its supplier's offer for sale. The Federal Circuit held that the asserted claims were invalid because the supplier's offer for sale had been made more than one year before the earliest priority date of the asserted patent. The Federal Circuit also found that Hamilton Beach's drawings, descriptions, and sample were sufficient to show that the product had been "ready for patenting" under the on-sale bar.

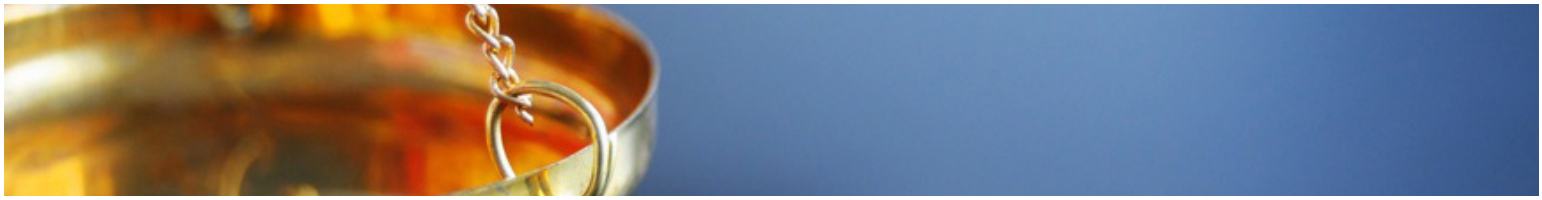
In dissent, Judge Reyna objected that the Federal Circuit did not review whether the offer was commercial in nature, rather than experimental, and argued that the court's holding would eviscerate the experimental-use exception to the on-sale bar.

District Court Abused Discretion in Refusing to Keep Confidential Documents Secret

In ***Apple, Inc. v. Samsung Electronics Co.***, Appeal No. 12-1600, the Federal Circuit reversed and remanded orders refusing to seal confidential information.

Both parties sought to seal or redact portions of a limited number of documents and neither party opposed the other's requests. The district court sealed documents containing confidential source code, third-party market research reports, and pricing terms of licensing agreements. However, the district court refused to seal documents disclosing product-specific profits, profit margins, unit sales, revenues, costs, Apple's proprietary market research reports and customer surveys, and non-price terms of licensing agreements. The district court stayed the order to unseal the documents pending appeal.

Applying Ninth Circuit law, the Federal Circuit reversed, finding that the district court had abused its discretion because the parties' interests in maintaining the confidentiality of their documents far outweighed the public's interest in disclosure. The Federal Circuit explained that the parties would suffer harm if their competitors had access to their profit, cost, margins, and market-research documents. By contrast, the asserted public interest had more to do with general curiosity and shareholders' financial decisions than actually understanding the jury's decision.



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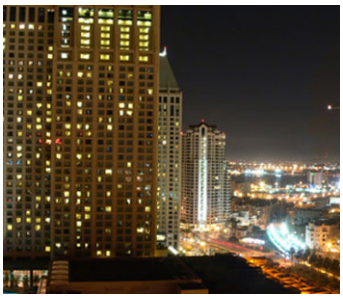

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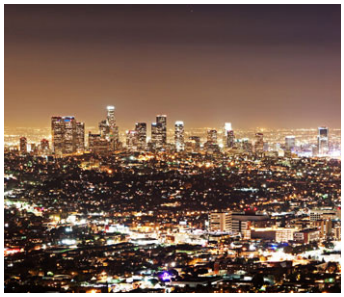

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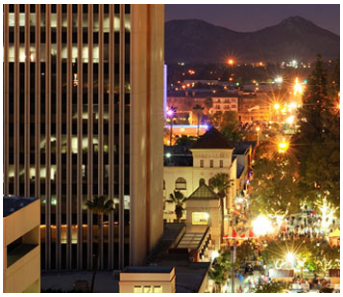

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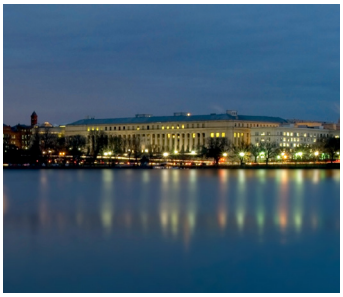

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Who We Are

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