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May 2011

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No. 10-1249 (Fed. Cir. Apr. 29, 2011)

[Appealed from D. Del., Judge Robinson]

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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Spotlight Info

In *TiVo Inc. v. EchoStar Corp.*, No. 09-1374 (Fed. Cir. Apr. 20, 2011) (en banc), the Federal Circuit, sitting en banc, overruled the two-step analysis from *KSM Fastening Systems, Inc. v. H.A. Jones Co.*, 776 F.2d 1522 (Fed. Cir. 1985), governing the standards for contempt proceedings in patent infringement cases. Instead, the en banc Court “telescope[d] the current two-fold *KSM* inquiry into one, eliminating the separate determination whether contempt proceedings were properly initiated. . . . What is required for a district court to hold a contempt proceeding is a detailed accusation from the injured party setting forth the alleged facts constituting the contempt.” Slip op. at 17-18. Further, “[t]he analysis must focus not on differences between randomly chosen features of the product found to infringe in the earlier infringement trial and the newly accused product, but on those aspects of the accused product that were previously alleged to be, and were a basis for, the prior finding of infringement, and the modified features of the newly accused product. Specifically, one should focus on those elements of the adjudged infringing products that the patentee previously contended, and proved, satisfy specific limitations of the asserted claims. Where one or more of those elements previously found to infringe has been modified, or removed, the court must make an inquiry into whether that modification is significant. If those differences between the old and new elements are significant, the newly accused product as a whole shall be deemed more than colorably different from the adjudged infringing one, and the inquiry into whether the newly accused product actually infringes is irrelevant. Contempt is then inappropriate.” *Id.* at 19-20 (citation omitted).

Applying the new standard, the Federal Circuit considered the district court’s findings of contempt of two separate provisions of that court’s permanent injunction order. The Court vacated the district court’s finding of contempt of the infringement provision of the permanent injunction and remanded to the district court to make a factual determination of colorable differences under the new standard laid out by the en banc Court. Accordingly, the Federal Circuit vacated-in-part the damages awarded to TiVo Inc. for EchoStar Corporation’s (“EchoStar”) continued infringement. Additionally, the Federal Court affirmed the district court’s finding of contempt of the disablement provision of the permanent injunction. Thus, the Court affirmed the sanctions award in its entirety because EchoStar waived arguments of overbreadth and vagueness with regard to that provision. See the full summary in this issue.

Further, subsequent to the Federal Circuit’s decision, but before the Court’s issuance of the mandate, the parties jointly moved to dismiss the appeal due to settlement. The Court noted that if it were to grant the motion, which was neither required nor a proper use of the judicial system, it would result in a modification or vacatur of the Court’s en banc judgment. Thus, the Court denied the parties’ motion and

indicated that the district court could consider their request on remand. See *TIVO Inc. v. EchoStar Corp.*, No. 09-1374 (Fed. Cir. May 10, 2011) (en banc) (Order).

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Looking Ahead

Late last year, in *Akamai Technologies, Inc. v. Limelight Networks, Inc.*, 629 F.3d 1311 (Fed. Cir. 2010), the Federal Circuit affirmed a finding of no joint infringement, holding that Akamai Technologies, Inc. did not show that Limelight Networks, Inc.'s ("Limelight") customers were acting as agents of Limelight when performing the steps of the claim that Limelight itself did not perform. In so doing, the Court held that there can only be joint infringement when there is an agency relationship between the parties who perform the method steps or when one party is contractually obligated to the other to perform the steps.

On April 20, 2011, the Federal Circuit vacated the December 2010 panel opinion and ordered en banc reconsideration. The Court ordered briefing of the following issue:

If separate entities each perform separate steps of a method claim, under what circumstances would that claim be directly infringed and to what extent would each of the parties be liable?

The date and time of oral argument has not yet been announced.

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The Written Description Requirement May Be Satisfied Even When the Claimed Invention Solves Only One of the Problems Addressed by a Patent

Matthew R. Van Eman

Judges: Newman, Dyk (concurring-in-part, dissenting-in-part), Whyte (author, sitting by designation)

[Appealed from S.D. Ohio, Judge Rice]

In *Crown Packaging Technology, Inc. v. Ball Metal Beverage Container Corp.*, No. 10-1020 (Fed. Cir. Apr. 1, 2011), the Federal Circuit reversed the district court's SJ determination that the asserted claims were invalid for failure to satisfy the written description requirement and found that the claims were supported by an adequate description. In addition, the Court reversed and remanded the district court's SJ determination that the claims were invalid as anticipated because a question of fact remained as to whether an element of the claimed invention was inherently disclosed in the prior art.

Crown Packaging Technology, Inc. and Crown Cork and Seal USA, Inc. (collectively "Crown") sued Ball Metal Beverage Container Corp. ("Ball") for infringement of U.S. Patent Nos. 6,935,826 ("the '826 patent") and 6,848,875 ("the '875 patent"). The patents share a common specification that identifies and discusses two ways to save metal when seaming can ends (lids affixed to the top of beverage cans) and can bodies (cylindrical hollow containers to which can ends are attached for filling). The common specification teaches that "improvements in metal usage can be made by increasing the slope of the chuck wall and limiting the width of the anti peaking bead." The specification describes increasing the slope of the can end's chuck wall (also referred to as the "can end wall"), thus creating a less steep chuck wall (as compared to prior art chuck walls) and reducing the use of metal in the manufacturing of the can end. Additionally, the specification teaches that metal can be saved by "limiting the width of the anti peaking bead" (also known as the reinforcing bead). To avoid causing damage to the chuck or reinforcing bead, damage which might otherwise result from narrowing of the bead, or other potential manufacturing problems, the specification discloses a new seaming method employing a modified seaming chuck that does not drive deeply into the anti peaking bead.

After construing the claims, the district court granted Ball's SJ motion, holding that the claims were invalid for violating the written description requirement. Specifically, the district court held that the asserted claims cover driving a chuck either inside or outside of the reinforcing bead, but the common specification only supports driving a chuck outside of the can end's reinforcing bead. In addition, the district court granted Ball's SJ motion for anticipation by a prior art Japanese patent application, finding that Crown's

expert did not address the specific anticipation argument raised by Ball's expert.

On appeal, Crown and Ball agreed that the common specification teaches that improvements can be made by increasing the slope of the chuck wall and limiting the width of the anti peaking bead, but disagreed whether the specification (including the original claim language) demonstrates that the applicants had possession of an embodiment that improved metal usage by increasing the slope of the chuck wall without also limiting the width of the reinforcing bead. In other words, the dispute centered on whether the specification demonstrated that applicants possessed the ability to use one of the improved methods for saving metal without also employing the other method.

The Federal Circuit agreed with Crown that the claims were supported by an adequate written description, noting that the Court's decision in *Revolution Eyewear, Inc. v. Aspex Eyewear, Inc.*, 563 F.3d 1358 (Fed. Cir. 2009), supports Crown's position. Specifically, the Court rejected Ball's attempts to distinguish *Revolution Eyewear* in the present context where the prior art problems, to which the claimed inventions are directed, are related to one another. "[I]t is a 'false premise that if the problems addressed by the invention are related, then a claim addressing only one of the problems is invalid for lack of sufficient written description.'" Slip op. at 14 (quoting *Revolution Eyewear*, 563 F.3d at 1367). Rather, as Crown argued, "[i]nventors can frame their claims to address one problem or several, and the written description requirement will be satisfied as to each claim as long as the description conveys that the inventor was in possession of the invention recited in the claim." *Id.* at 13 (alteration in original) (quoting *Revolution Eyewear*, 563 F.3d at 1367).

“[I]t is a ‘false premise that if the problems addressed by the invention are related, then a claim addressing only one of the problems is invalid for lack of sufficient written description.’” Slip op. at 14 (quoting *Revolution Eyewear*, 563 F.3d at 1367).

Here, the common specification does not teach that metal savings can only be achieved by increasing the chuck wall angle and narrowing the reinforcing bead. For example, data in the specification demonstrated that metal savings could be achieved by varying the slope of the chuck wall even when the reinforcing bead's width was held constant.

In addition, the Court found that Crown's original claims showed that Crown recognized and claimed an improvement in metal usage by increasing the slope of the chuck wall without an additional limitation of narrowing the reinforcing bead because the dependent claims added a limitation that would not be needed if the inventors intended that driving would occur outside the reinforcing bead in all embodiments of the claimed invention. “These claims show, as *Ariad* recognized many original claims do, that the applicants had in mind the invention as claimed.” *Id.* at 15. Thus, the Federal Circuit found that the written description supported the asserted claims that achieve metal savings by only varying the slope of the chuck wall.

The Federal Circuit also rejected Ball's argument that increasing the slope of the can end's chuck wall necessarily required a drive surface that engaged the chuck wall rather than the reinforcing bead. The Court noted that Ball's position implicated enablement, not written description; Ball had not asserted an enablement challenge; and there was no evidence in the record to suggest that the patents were not enabled. Further, the Court rejected Ball's reliance on *Tronzo v. Biomet, Inc.*, 156 F.3d 1154 (Fed. Cir. 1998); *LizardTech, Inc. v. Earth Resource Mapping*, 424 F.3d 1336 (Fed. Cir. 2005); and *ICU Medical*,

Inc. v. Alaris Medical Systems, 558 F.3d 1368 (Fed. Cir. 2008). The Federal Circuit explained that, in each of those cases, the specification unambiguously limited the scope of the invention. In contrast, although the '875 and '826 patents described related problems, the patents did not suggest that saving metal by increasing the slope of a can end's chuck wall necessarily required that there be no contact between a chuck and the interior of the reinforcing bead.

Additionally, the Federal Circuit found that the district court failed to adequately distinguish Crown's asserted product and method claims. Specifically, the district court found the product claim deficient for failure to include a negative limitation regarding the method of seaming. The Federal Circuit, however, noted that a "patentee need only describe the product as claimed, and need not describe an unclaimed method of making the claimed product." Slip op. at 18 (quoting *Amgen Inc. v. Hoechst Marion Roussel, Inc.*, 314 F.3d 1313, 1331-33 (Fed. Cir. 2003)). Thus, the district court erred in finding that the claims violated the written description requirement.

Finally, the Federal Circuit found that there was a genuine issue of material fact as to whether a prior art Japanese patent application inherently disclosed a particular limitation of the claims. The Court noted that Ball and Crown had put forth conflicting expert testimony on this issue and that where there is a material dispute as to the credibility and weight that should be afforded to conflicting expert reports, SJ is usually inappropriate. Thus, the Federal Circuit found that SJ was not appropriate in this instance because the credibility determinations were matters for a jury.

Accordingly, the Federal Circuit reversed the district court's entry of SJ with respect to written description and entered judgment in favor of Crown, and reversed and remanded the issue of anticipation for trial.

Judge Dyk dissented-in-part, noting that he would find that the asserted claims did not satisfy the written description requirement. According to Judge Dyk, the specification did not teach either (1) combining the sloped can end wall together with the wider, prior art bead and driving the chuck into the bead instead of the sloped can end wall; or (2) a can end wall having an increased slope in combination with a wider, prior art bead. Thus, "[t]he fact that the claims are broad enough to cover such an invention or imply that the claims cover such an invention is not sufficient when the invention itself is not described either in the claims or elsewhere in the specification." Dyk Dissent at 3.

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No Induced Infringement Possible When No Agency or Contractual Relationship Exists to Create a Single Direct Infringer in Doctor-Patient Relationship

Jessica L.A. Marks

Judges: Newman (dissenting), Bryson (concurring), Linn (author)
[Appealed from N.D. Ga., Chief Judge Camp]

In *McKesson Technologies Inc. v. Epic Systems Corp.*, No. 10-1291 (Fed. Cir. Apr. 12, 2011), a split panel of the Federal Circuit affirmed the district court's grant of SJ of noninfringement to Epic Systems Corporation ("Epic"). The majority held that the steps of McKesson Technologies Inc.'s ("McKesson") patented method not performed by companies licensing Epic's software could not be attributed to those licensees because no agency or contractual relationship existed between the licensees and the individuals who performed those steps. Therefore, no single entity directly infringed the claimed method, and without a direct infringer, Epic could not be liable for induced infringement.

McKesson's U.S. Patent No. 6,757,898 ("the '898 patent") is directed to a method of electronic communication between patients and healthcare providers using personalized web pages. Claim 1 includes the step of "initiating a communication by one of the plurality of users to the provider for information, wherein the provider has established a preexisting medical record for each user" Slip op. at 4 (emphasis omitted).

Epic licenses, but does not use, software products to healthcare providers, including the accused "MyChart" software. MyChart allows patients to communicate online with their healthcare providers through personalized webpages and allows the healthcare providers to update the patients' webpages with their medical records. Healthcare providers provide access to MyChart to their patients, but no healthcare provider requires that their patients use MyChart. The patient chooses to "initiate a communication" with their healthcare provider by logging on to the healthcare provider's MyChart webpage. Then the healthcare provider performs the other steps of the claimed method.

McKesson filed suit against Epic in the Northern District of Georgia, alleging that Epic's licensing of MyChart to healthcare providers who then provided MyChart to their patients constituted induced infringement of claims of the '898 patent. Epic moved for SJ, arguing that the claim required joint infringement, not direct infringement, and without a single direct infringer, Epic could not be liable for inducing infringement. The district court denied the motion so that more evidence could be presented on whether the healthcare provider-patient relationship allowed the actions of the patient to be attributed to

the healthcare provider. Then, the district court granted Epic's renewed motion for SJ.

“McKesson has identified no viable legal theory under which the actions of MyChart users may be attributed to Epic’s customers. Without an agency relationship or contractual obligation, the MyChart users’ actions cannot be attributed to the MyChart providers, Epic’s customers. Thus McKesson has failed to demonstrate that any single party directly infringes the ’898 patent. Absent direct infringement, Epic cannot be liable for indirect infringement.” Slip op. at 8-9.

Reviewing the decision de novo, the majority explained that an allegation of induced infringement of a method claim requires a single direct infringer who either performs every step of the method or “exercises ‘control or direction’ over the entire process so that every step is attributable to the controlling party. *Id.* at 6 (quoting *Muniauction, Inc. v. Thomson Corp.*, 532 F.3d 1318, 1329 (Fed. Cir. 2008)). “[T]he ‘control or direction’ standard is satisfied in situations where the law would traditionally hold the accused direct infringer vicariously liable for the acts committed by another party that are required to complete performance of the claimed method.” *Id.* (alteration in original) (quoting *Muniauction*, 532 F.3d at 1330). Citing *Akamai Technologies, Inc. v. Limelight Networks, Inc.*, 629 F.3d 1311 (Fed. Cir. 2010), the majority noted that “there can only be joint infringement when there is an agency relationship between the parties who perform the method steps or when one party is contractually obligated to the other to perform the steps.” Slip op. at 7.

In this case, the parties agreed that Epic did not directly infringe and that the healthcare providers did not complete all of the steps of the method by themselves, but that the patients performed the first step of “initiating a communication.” Therefore, the question before the Court was whether the healthcare providers were able to “control or direct” patients in a way that support a finding of direct infringement by the healthcare providers, which would make Epic liable for inducing infringement.

McKesson did not argue that the doctor-patient relationship was an agency relationship or a contractual relationship. Instead, McKesson argued that the doctor-patient relationship was a special relationship that was “something more than a mere arms length relationship and [was] sufficient to provide attribution.” *Id.* at 8. McKesson urged the Court to depart from the strict agency or contract analysis of *Akamai* because *Akamai* was allegedly inconsistent with “ordinary principles of law involving concerted action.” *Id.* at 9. By following tort law, as courts had done in copyright law, joint tortfeasors could be found liable when “the acts of each of two or more parties, standing alone, would not be wrongful, but together they cause harm to the plaintiff.” *Id.* (citation omitted).

The majority found McKesson's arguments that the doctor-patient relationship made the patient's actions attributable to the healthcare providers unpersuasive, stating that “[w]ithout an agency relationship or contractual obligation, the MyChart users’ actions cannot be attributed to the MyChart providers.” *Id.* at 8.

In any case, the majority found that there was no need to depart from their cited precedents because patent law already addressed the joint tortfeasor problem under the indirect infringement theories of contributory and induced infringement. An indirect infringer is a type of joint tortfeasor because, while his actions alone do not harm the patentee, his actions along with another cause a single harm to the plaintiff. That “single harm” is direct infringement, which is a strict liability offense limited to those who

practice each and every element of the claimed invention. Without direct infringement, the patentee has not suffered a compensable harm. Finally, the majority noted that the patentee has the power to avoid this outcome because he defines the boundaries of his rights in the drafting of the claims. Therefore, because McKesson had not stated a viable legal theory, the Federal Circuit affirmed the SJ of noninfringement for Epic.

Judge Bryson concurred in a one-paragraph statement that he agreed that the result of the decision was correct in light of the precedent, but questioned whether the precedent it was based upon was correct.

In addition, Judge Newman dissented, noting that the majority decision actually contradicted precedent because earlier decisions, including a Supreme Court decision, supported McKesson's joint tortfeasor arguments. Thus, in her opinion, this panel should have followed the "prior panel" rule, and not selectively applied some newly minted panel rulings while ignoring others. In particular, Judge Newman took issue with the "single-entity rule," noting that the panel majority's holding means that even if every step of the claimed method is performed, there can be no infringement, on the theory that there is no direct infringement and thus no indirect infringement. "Some recent panel holdings are of similar vein, holding that neither collaboration nor joint action nor facilitation nor authorization nor invitation can overcome the immutable barrier to infringement when all participating entities are not under the 'control or direction' of the mastermind infringer." Newman Dissent at 2. Judge Newman further stated that the decision means that the '898 patent can never be infringed, which eliminates the patent incentive for such interactive procedures. In Judge Newman's view, patentees are not required to direct claims to a single infringer, and by following the single-entity rule, the Court improperly read a limitation into patent law that Congress had not expressed. Further, in Judge Newman's view, interactive methods that meet all the conditions and requirements of the Patent Act are fully entitled to participate in the patent system. In particular, Judge Newman noted that "[a] patent that can never be infringed is not a patent in the definition of the law, for a patent that cannot be infringed does not have the 'right to exclude'" as granted by 35 U.S.C. § 154(a)(1). *Id.* at 6. Furthermore, in Judge Newman's opinion, several of the older decisions relied on by the majority do not address the form of interactive situation at issue here and collectively "do not require an absolute 'single-entity rule' of infringement, for none of these cases turned on whether different entities independently or interactively perform different steps of a method claim." *Id.* at 10. Judge Newman noted that the patentee was not attempting to sue all physicians and all patients using the patented system, but was properly suing the entity, Epic, that induced the interacting parties to infringe. Finally, Judge Newman noted that there has been a recent string of decisions, including *Akamai*, that contradicted the older cases. She stated that, because there has never been an en banc reversal of those older decisions, the newer decisions cannot constitute Federal Circuit law. According to the dissent, if the proper analysis were applied, the control or direction standard would be applied in light of general tort law principles. Thus, Epic should have been found liable for inducing infringement, which would comply with Federal Circuit precedent, be consistent with patent law, and support the burgeoning field of interactive computer technologies.

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Only Adding Dependent Claims Can Be a Proper Basis for Reissue

Huzefa N. Kapadia

Judges: Bryson, Linn (author), Dyk (dissenting)

[Appealed from Board]

In *In re Tanaka*, No. 10-1262 (Fed. Cir. Apr. 15, 2011), the Federal Circuit reversed the Board's holding that "a reissue application that retains all of the original patent claims and adds only narrower claims does not present the type of error correctible by reissue under 35 U.S.C. § 251."

The PTO issued U.S. Patent No. 6,093,991 ("the '991 patent") to Yasuhito Tanaka, with one independent claim and six dependent claims. The claims are directed to an alternator pulley used to improve power generation efficiency of an automobile alternator. Tanaka eventually filed a reissue application seeking to add a new claim that depended on claim 1. The examiner rejected this request on the ground that the error specified was not correctible by reissue because it failed to broaden or narrow the scope of the claims of the issued '991 patent. The Board affirmed the rejection, stating that the error cited is "not correctible by reissue under 35 U.S.C. § 251." Slip op. at 2.

On appeal, Tanaka argued that the Board's decision was contrary to precedent. The PTO, however, maintained that the omission of a dependent claim fails to meet the standard necessary for a reissue.

According to the Court, in order for § 251 to apply, the inventor error must make the original patent "wholly or partly inoperative" and must have arisen "without deceptive intent." *Id.* at 6. Since there is no dispute that the defect arose without deceptive intent, the Court considered whether the omission of a dependent claim can render a patent partly inoperative.

In considering this appeal, the Court referenced several precedential cases. First, in *In re Handel*, 312 F.2d 943, 946 n.2 (CCPA 1963), the Court of Customs and Patent Appeals ("CCPA") held that Handel had claimed "less" than he could have because he mistakenly included fewer claims than possible. The missing narrower claims would serve as a hedge against potential invalidity of the original claims. The CCPA found that this sort of hedging is a "proper reason for asking that a reissue be granted." Slip op. at 7.

"[T]he narrow rule relating to the addition of dependent claims as a hedge

against possible invalidity has been embraced as a reasonable interpretation of the reissue statute” Slip op. at 11.

The Court also cited *In re Muller*, 417 F.2d 1387 (CCPA 1969), another CCPA case involving the rejection of a reissue application. Although the CCPA did not reference *Handel*, it clearly stated that “the inclusion of dependent claims . . . [are] proper in a reissue proceeding” as long as the error occurred without deceptive intent. Slip op. at 8.

Next, the Court considered *Hewlett-Packard Co. v. Bausch & Lomb, Inc.*, 882 F.2d 1556, 1564 (Fed. Cir. 1989), one of its own cases involving a reissue for the purpose of including narrower dependent claims. Despite the fact that the claims were eventually found invalid, the Court stated unequivocally that the “practice of allowing reissue for the purpose of including narrower claims as a hedge against the possible invalidation of a broad claim has been tacitly approved” and “is in accordance with the remedial purpose of the [§ 251] statute.” Slip op. at 8.

Like the CCPA, the Court reasoned that omitting a narrower dependent claim can render a patent partly inoperative because “dependent claims [of a narrower scope] are also less vulnerable to validity attacks.” *Id.* at 9. As such, in the event that another claim might be invalidated, the dependent claim would then play a critical role in protecting the invention. Therefore, failing to include a dependent claim could “render a patent partly inoperative by failing to protect the disclosed invention to the full extent allowed by law.” *Id.*

The Court also addressed the Board’s assertion that adding a dependent claim is equivalent to filing a no defect reissue. A no defect reissue is where an applicant seeks a reissue in light of new prior art, but no defect in the patent is cited. The Court has previously noted that this practice is no longer permitted as it allows a patentee to essentially “obtain an advisory opinion from the PTO.” *Id.* The Court, however, distinguished Tanaka’s reissue application from a no defect reissue because of Tanaka’s admission of error in the original prosecution. In addition, the Court noted that adding a narrower claim without amending the original claims is not equivalent to a no defect reissue. In sum, the Court concluded that an inventor may seek a reissue application when the inventor seeks to add a dependent claim as a hedge against possible invalidity.

Judge Dyk dissented with the majority in two respects. First, he found that the Board’s decision was not contrary to long-standing precedent. Judge Dyk asserted that the cases cited by the majority failed to “address[] or decide[] whether seeking to include narrower claims while retaining the original claims is a proper basis for reissue under § 251.” Dyk Dissent at 3. Second, he reasoned that the “language and the purpose” of § 251 support the Board’s decision to reject Tanaka’s request for reissue. Although the Court has ruled that a reissue can be proper where the original claims have not been modified, it should not be allowed in this instance. In Judge Dyk’s view, a reissue under this circumstance is only proper when “the correction of [the] error . . . [has] a direct and identifiable effect on the applicant’s rights under the original patent.” *Id.* at 6.

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May 2011

Federal Circuit Affirms SJ of Patent Exhaustion Based on a Valid License Assignment

Kelly B. McClellan

Judges: Gajarsa (author), Linn, Dyk
[Appealed from E.D. Va., Judge Lee]

In *Rembrandt Data Technologies, LP v. AOL, LLC*, No. 10-1002 (Fed. Cir. Apr. 18, 2011), the Federal Circuit affirmed the district court's determination that Rembrandt Data Technologies, LP's ("Rembrandt") right to enforce the patents-in-suit was extinguished by patent exhaustion. In addition, the Federal Circuit affirmed the district court's grant of SJ of indefiniteness for some of the claims, but reversed the district court's indefiniteness judgment for other claims and remanded the case for further proceedings consistent with its opinion.

Rembrandt is the owner by assignment of U.S. Patent Nos. 5,251,236 ("the '236 patent") and 5,311,578 ("the '578 patent"), which claim certain types of computer modems and methods of identifying modems. The '236 and '578 patents were initially owned by AT&T Corporation ("AT&T") and were subsequently assigned or transferred via various license agreements. In 1988, Rockwell International Corporation ("Old Rockwell") and AT&T cross-licensed the patents-in-suit ("the 1988 License Agreement"). In 1995, the 1988 License Agreement was amended through a Side Letter Agreement ("the 1995 Side Letter Agreement"), which granted Rockwell additional rights, including sublicensing rights. In 1996, Rockwell reorganized its corporate structure and conveyed substantially all of its businesses and assets to the post-1996 reorganized Rockwell ("New Rockwell"). Later that year, Lucent Technologies, Inc. ("Lucent"), which had since acquired the patents-in-suit from AT&T, acknowledged Rockwell's reorganization and Old Rockwell's assignment of its rights and notification obligations to New Rockwell. New Rockwell subsequently paid royalties to Lucent. Thereafter, New Rockwell spun off its Semiconductor Systems unit, including its modem business, to Conexant Systems, Inc. ("Conexant"). Conexant manufactures modem chipsets that are incorporated into products sold by its customers Canon U.S.A., Inc., Canon Business Solutions, Inc., and Canon Information Technology Services, Inc. (collectively "Canon"), and Hewlett-Packard Company ("HP"). Rembrandt ultimately acquired rights to the patents-in-suit and accused the Canon and HP products of infringement.

After construing several claim terms, the district court granted Canon's motion for SJ of exhaustion of the patents-in-suit because Conexant, Canon and HP's modem chipset supplier, was properly sublicensed under the 1988 License and 1995 Side Letter Agreements. The district court also held claims 3-11 of the

'236 patent invalid as indefinite for improperly mixing method and apparatus elements. Later, Canon filed a motion to amend the district court's findings to include claims 1 and 2. In response, the district court held that claims 1-11 of the '236 patent were invalid for failing to disclose algorithms corresponding to functions set forth in the claims. Rembrandt appealed.

The Federal Circuit found that “[b]ecause Conexant is licensed, Rembrandt’s rights are exhausted and it cannot recover from Canon and HP.” Slip op. at 10. First, the Court found that the sublicense rights were properly assigned from Old Rockwell to New Rockwell. Under the 1988 License Agreement, Old Rockwell licensed numerous patents, including the patents-in-suit, from AT&T. The 1995 Side Letter Agreement recognized that the licenses and rights granted in the 1988 License Agreement may be sublicensed to any future divested present business of Rockwell. Thus, the Federal Circuit found that in 1996, when Old Rockwell reorganized, it divested its agreements and licenses to New Rockwell, including its rights and obligations under the 1988 License and 1995 Side Letter Agreements, including its right to sublicense.

“Because Conexant is licensed, Rembrandt’s rights are exhausted and it cannot recover from Canon and HP.” Slip op. at 10.

Second, the Federal Circuit rejected Rembrandt’s argument that an assignment required AT&T’s written consent because the 1995 Side Letter Agreement specifically provided that assignments were applicable to divested present businesses of Old Rockwell. With respect to Conexant, the Court noted that, in 1988, New Rockwell divested its modem business to Conexant and granted it a royalty-free, worldwide, irrevocable, nonexclusive license under all intellectual property rights, including the patents-in-suit. Further, although a nonexclusive licensee usually does not have the right to assign the license or further sublicense, the 1995 Side Letter Agreement specifically permitted an assignment when a present business was divested.

Finally, the Federal Circuit rejected Rembrandt’s argument that the sublicense did not apply to the modem chipsets-at-issue because they were not the exact types of modems in production at the time of the sublicense and/or divestiture. The Court noted that neither the 1988 License Agreement nor the 1995 Side Letter Agreement referred to specific models of modems; rather, the agreements specified product types using general functional terms, such as “data communication station systems” and “digital transmission systems.” Thus, because these and other sublicensing conditions in the 1995 Side Letter Agreement were satisfied, the license and rights could be assigned to New Rockwell and Conexant.

The Federal Circuit also addressed the district court’s SJ findings of invalidity. The Federal Circuit agreed with the district court’s ruling that claim 3 and dependent claims 4-11 of the '236 patent were invalid as indefinite for reciting an apparatus and a method of using that apparatus in the same claim. The Court rejected Rembrandt’s argument that its omission of an apparatus limitation in the method element of the claims was an obvious administrative or typographical error not subject to reasonable debate, and thus correctable by the Court. Instead, the Federal Circuit noted that it “repeatedly and consistently has recognized that courts may not redraft claims, whether to make them operable or to sustain their validity.” *Id.* at 16 (quoting *Chef Am., Inc. v. Lamb-Weston, Inc.*, 358 F.3d 1371, 1374 (Fed. Cir. 2004)). Thus, because the correction suggested by Rembrandt was “not minor, obvious, free from reasonable debate or evident from the prosecution history,” the Court refused to redraft the claims. *Id.* at 17 (citation omitted).

The Federal Circuit, however, found the district court's SJ finding of indefiniteness of claims 1 and 2 of the '236 patent erroneous because there was a genuine issue of material fact regarding the patent's disclosure. The Federal Circuit noted that the district court erred in interpreting the recited "fractional rate encoding means" and "trellis encoding means" as means-plus-function elements governed by 35 U.S.C. § 112, ¶ 6. Instead, the Court found that the terms themselves conveyed sufficient structure to one of ordinary skill in the art to overcome the presumption that claim limitations containing the term "means" should be construed pursuant to § 112, ¶ 6. Specifically, the parties did not dispute that the phrases "fractional rate encoding" and "trellis rate encoding" defined algorithms known to skilled artisans at the time of invention. The parties, however, disputed whether the algorithms needed for two other claim elements, "buffer means" and "combining means," were disclosed. Based on expert testimony put forth by Rembrandt, the Federal Circuit found that there were genuine disputes of material fact regarding whether those algorithms were sufficiently disclosed such that SJ was inappropriate.

Accordingly, the Federal Circuit affirmed the district court's holding regarding exhaustion and SJ of invalidity of claims 3-11 of the '236 patent for indefiniteness, but reversed the district court's SJ of invalidity of claims 1 and 2 of the '236 patent and remanded for further proceedings consistent with its opinion.

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May 2011

En Banc Court Establishes New Test for Contempt Proceedings in Infringement Cases

Mayssam H. Ali

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

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

In *TiVo Inc. v. EchoStar Corp.*, No. 09-1374 (Fed. Cir. Apr. 20, 2011) (en banc), the Federal Circuit vacated the district court's finding that defendants EchoStar Corporation and several other entities (collectively "EchoStar") were in contempt of the first provision of a permanent injunction and remanded for further factual determinations. The Court affirmed the district court's finding of contempt of the second provision of the injunction and upheld the award of sanctions against EchoStar.

TiVo Inc. ("TiVo") owns U.S. Patent No. 6,233,389 ("the '389 patent"), which relates to technology permitting a viewer to "time-shift" a television broadcast, simultaneously recording and viewing it, using a digital video recorder ("DVR"). TiVo brought suit against EchoStar in 2004, alleging that its satellite television receivers infringed various "hardware" and "software" claims of the '389 patent.

The district court issued a two-part permanent injunction after a finding of willful infringement by a jury. That injunction ordered EchoStar to cease making, using, offering for sale, or selling the infringing satellite television receivers (the "infringement provision"), and to disable the DVR functionality in existing receivers that had been, or would be, placed with its customers (the "disablement provision"). EchoStar appealed, challenging the claim construction and finding of infringement, but did not appeal the grant of the permanent injunction. The Federal Circuit upheld the claim construction and infringement finding as to the software claims relevant to this appeal, reversing and remanding as to the hardware claims. Following the appeal, TiVo moved the district court to find EchoStar in contempt of the permanent injunction, which had been stayed during the appeal and became effective afterwards. The district court found EchoStar in contempt of both the infringement and disablement provisions, and imposed almost \$90 million in sanctions. EchoStar again appealed.

The Federal Circuit first addressed the test for determining contempt in cases of alleged continued infringement. As an initial matter, it rejected EchoStar's contention that good faith, as evidenced by a

costly redesign and subsequent noninfringement opinion from outside patent counsel, was a defense to civil contempt. The Court explained that good faith is not a defense because civil contempt is remedial in nature, although it may be considered in assessing penalties.

“Instead of focusing solely on infringement, the contempt analysis must focus initially on the differences between the features relied upon to establish infringement and the modified features of the newly accused products.”
Slip op. at 19.

The Federal Circuit also rejected the two-part test established in *KSM Fastening Systems, Inc. v. H.A. Jones Co.*, 776 F.2d 1522, 1530-32 (Fed. Cir. 1985), which had required an initial inquiry into the propriety of initiating contempt proceedings, conducted by comparing the accused and adjudged infringing products to determine whether there was “more than a colorable difference” between them, in which case infringement would be determined by a new trial. In the absence of more than a colorable difference, the Court would evaluate the redesigned product for infringement. The Court concluded that the two-step inquiry was unworkable, confused the merits of the contempt with the propriety of initiating contempt proceedings, and was not observed in practice. Instead, the Federal Circuit concluded that a district court should combine the inquiries, leaving the question of the propriety of initiating contempt proceedings to the discretion of the trial court. A contempt proceeding is merited where the injured party provides a “detailed accusation . . . setting forth the alleged facts constituting the contempt.” Slip op. at 17-18. The Federal Circuit explained that, on appeal, it would not consider allegations that contempt proceedings were improper, but would only review the enforceability and violation of injunctions, as well as the propriety of imposed sanctions. It noted, however, that there may be circumstances under which the initiation of contempt proceedings could constitute abuse of a district court’s discretion.

The Federal Circuit explained that a patentee seeking enforcement of an injunction must prove, by clear and convincing evidence, first, that a newly accused product is not more than colorably different from the adjudged infringing product and, second, that the newly accused product actually infringes. A district court’s comparison of the newly accused and adjudged infringing products should focus on any differences between the features relied upon to establish infringement and the modified features of the newly accused products. If the modification or removal of a relied-upon feature is significant, as determined by reference to the relevant prior art, optionally with the assistance of expert testimony, then the newly accused product is more than colorably different, in which case contempt is inappropriate and a new trial should be held. The court’s evaluation should also account for the policy favoring legitimate design-arounds.

In the event that a district court finds only a colorable difference between the modified and adjudged infringing products, the Federal Circuit instructed that the district court should proceed to determine whether the modified product also infringes. In doing so, the district court should apply the same claim construction that was initially used in determining infringement, and should compare the redesigned product to the asserted claim on a limitation-by-limitation basis. The Federal Circuit indicated that it would review the court’s factual determinations as to colorable differences and infringement for clear error, and would review any award of sanctions for continued infringement for abuse of discretion.

Applying its test to the infringement provision of the permanent injunction, the Federal Circuit began by noting that TiVo had relied upon the start code detection feature of EchoStar’s original receivers to satisfy a “parsing” limitation of the software claims and prove infringement, and that EchoStar had replaced that

feature with a statistical estimation feature. The Court also noted that the district court's analysis relied upon an alternative feature of EchoStar's modified devices to satisfy the parsing limitation of the software claims. Consequently, the Federal Circuit vacated the contempt finding as to the infringement provision, remanding to the district court to determine whether the statistical estimation feature of the modified receivers was significantly different from the start code detection feature and, if not, whether the replaced feature continued to meet the parsing limitation of the software claims.

The Federal Circuit then turned to the disablement provision of the permanent injunction, rejecting EchoStar's arguments that that provision was unenforceable. First, the Court rejected EchoStar's argument that the injunction was unenforceable as vague because of ambiguity in the term "Infringing Products." Although the Federal Circuit agreed that vagueness can serve as a defense to contempt in appropriate circumstances, it was not persuaded that the injunction was vague. The Court held, however, that, if the injunction were facially vague, then EchoStar had the burden of seeking clarification or modification of the injunction from the district court.

Next, the Court rejected EchoStar's argument that the disablement provision unlawfully prohibited noninfringing activity and was therefore unenforceable for overbreadth. The Court concluded that EchoStar should have appealed the injunction at the time it was issued, and, hence, its arguments regarding overbreadth were waived for failure to raise them earlier. The Federal Circuit indicated that it therefore would not address the legitimacy of EchoStar's arguments, but nevertheless explained in a footnote that injunctive restraint of noninfringing activities, although strongly discouraged, was within the discretion of a district court. Thus, the Federal Circuit affirmed the finding of contempt with regard to the disablement provision. Consequently, it affirmed the sanctions award, explaining that the sanctions had been expressly awarded on alternative grounds for violation of either of the two provisions of the injunction.

Judge Dyk, with whom Chief Judge Rader and Judges Gajarsa, Linn, and Prost joined, joined the majority in its general description of the applicable law but dissented as to its application in this case. Judge Dyk would have overturned the finding of contempt with regard to the disablement provision on the grounds that the injunction did not bar the installation of modified software rendering the devices noninfringing or, alternatively, could not provide the basis for a finding of contempt due to lack of clarity. Judge Dyk further contended that the majority decision undermined the policy encouraging accused infringers to design around patent claims and the well-established principle that contempt sanctions could not be imposed for violation of an unclear injunction. Judge Dyk also concluded that the infringement provision plainly was not violated because the statistical estimation feature was substantially different from the start code detection feature and was not known in the prior art, necessitating a finding that the two products were more than colorably different and thus rendering remand unnecessary. Finally, Judge Dyk disagreed with the majority's decision to affirm the sanctions award, explaining that the award, as calculated by the district court, was clearly based in large part on EchoStar's alleged violation of the infringement provision, which was reversed by the majority.

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When Supported by Specification, Numerical Range Interpreted to Permit “Minor Fluctuations” Outside Claimed Range

*Phillip K. Decker**

Judges: Rader (author), Dyk, Prost
[Appealed from N.D. Ill., Judge Kokoras]

In *Lexion Medical, LLC v. Northgate Technologies, Inc.*, No. 09-1494 (Fed. Cir. Apr. 22, 2011) (“*Lexion II*”), the Federal Circuit affirmed a ruling on SJ that Northgate Technologies, Inc., Smith & Nephew, Inc., and Linvatec Corp. (collectively “Northgate”) infringed U.S. Patent No. 5,411,474 (“the ‘474 patent”) held by Lexion Medical, LLC (“Lexion”). The appeal hinged on the district court’s claim construction of the phrase, “having a temperature *within* 2°C of the predetermined temperature,” which the district court construed to include minor, temporary fluctuations *outside* of the 2°C window. The Federal Circuit unanimously affirmed.

At issue in *Lexion II* was a method and apparatus for heating and humidifying gas used to inflate the abdominal cavity of a patient during laparoscopic surgery. The ‘474 patent, entitled “Method and Apparatus for Conditioning Insufflation Gas for Laparoscopic Surgery,” recites in claim 11 a five-step method, summarized as follows: (a) directing gas received from an insufflator into a preparation chamber; (b) sensing the temperature of the gas; (c) actuating a heating means if the temperature is without the predetermined range; (d) humidifying the gas; and (e) flowing the gas into a patient-delivery means so that the gas enters the patient having a temperature *within 2°C of the predetermined temperature*. Lexion accused Northgate’s Humi-Flow device of infringing this method. There was no dispute on appeal that the Humi-Flow heats and humidifies gas from an insufflator, and directs the gas into a chamber where its temperature is raised to approximately 37°C. The sole question for the Court was whether the Humi-Flow delivers gas to the patient within the claimed temperature range, i.e., “within 2°C of the predetermined temperature.”

Lexion II follows a previous Federal Circuit appeal in *Lexion Medical, LLC v. Northgate Technologies, Inc.*, 292 Fed. App’x 42 (Fed. Cir. 2008) (“*Lexion I*”). In *Lexion I*, the Court vacated a jury finding of infringement and remanded the case for proceedings consistent with the Court’s construction of the claim term “predetermined temperature.” Specifically, the Court found that “predetermined temperature” means “a single temperature point” and could not include a range. On remand, Lexion submitted a declaration from its expert, Dr. John Burban, indicating that the Humi-Flow device delivered gas “almost always”—but not always—within 2°C of 37°C, the temperature of the human body. Lexion argued that Northgate’s

Humi-Flow device still infringed, even under the “single temperature point” construction, because the “within 2°C” limitation did not require that the temperature range be “*always* within 2°C.” Northgate did not submit any competing expert declarations or data concerning the temperature fluctuations in the Humi-Flow. Instead, Northgate argued that Dr. Burban’s new declaration made arguments that contradicted prior positions, and therefore violated Federal Rules of Civil Procedure 26(a)(2) and 37(c)(1). The district court agreed with Lexion’s construction and found infringement.

“The district court correctly interpreted ‘having a temperature within 2°C of the predetermined temperature’ not to require the claimed device to always be with 2°C of the predetermined temperature. Thus, the trial court’s interpretation of this phrase reflects accurately both the claim language and the specification’s support for that claim language.” Slip op. at 9-10.

On appeal for the second time, the Court focused on the district court’s construction of “within 2°C of the predetermined temperature.” The Court agreed with the district court’s construction, citing *Phillips v. AWH Corp.*, 415 F.3d 1303, 1315-16 (Fed. Cir. 2005), for the proposition that constructions that “harmonize” all claim limitations into a working invention are preferred. In claim 11 of the ’474 patent, limitations (b) and (c) recite continuous temperature sensing and actuation of the heating means “if the temperature of the gas is without the predetermined range”—clearly contemplating gas temperature fluctuations. To “harmonize” these limitations with the “within 2°C” limitation, the Court found that “[i]n the context of this particular invention, ‘within’ does not mean ‘always within.’” Slip op. at 8. The Court found additional support for the “‘within’ does not mean ‘always within’” construction in the ’474 patent specification, which expressly acknowledges that there can be “lags” within the system for sensing and adjusting heat. At one point, the specification indicates that the patient will receive gas “at least within *about* 2°C,” which is fully consistent with a construction that tolerates minor fluctuations outside of the expressly claimed range. Because the claim limitations and specification support a construction tolerant of minor fluctuations outside of the expressly claimed range, the Court affirmed the district court’s claim construction.

Turning to infringement, the Court agreed with the district court that under a claim construction permitting minor fluctuations, no genuine issue of material fact remained in dispute. Lexion’s supplemental Burban declaration provided data that Humi-Flow provides gas within the four degree range for “all but 15 seconds” of every 20 minutes. During those 15 seconds, the Humi-Flow gas senses the temperature fluctuation and actuates the heating means to raise the temperature, as contemplated by limitations (b) and (c). Northgate failed to provide any countervailing evidence. The Court rejected Northgate’s evidentiary argument, stating: “This court remanded to permit the trial court to reassess the case in the context of the new claim construction. In that context, the district court had wide discretion to permit the parties to supplement the record with new factual declarations consistent with the new understanding of the claim.” *Id.* at 12 (citing *Bowers v. BayState Techs., Inc.*, 320 F.3d 1317, 1334 (Fed. Cir. 2003)). Therefore, the district court did not abuse its discretion by permitting Lexion’s expert to submit a second, potentially inconsistent declaration in the context of responding to a new claim construction.

Accordingly, because the district court was correct to permit minor fluctuations outside of the claimed range, and has wide discretion to accept factual declarations responsive to new claim constructions, the Court affirmed the district court’s SJ of infringement.

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Personal Jurisdiction in DJ Action Is Established by Patent Enforcement Efforts, Not Commercialization Efforts

John ("Jack") A. Kelly

Judges: Bryson (author), Linn, Dyk

[Appealed from E.D. Tenn., Judge Varlan]

In *Radio Systems Corp. v. Accession, Inc.*, No. 10-1390 (Fed. Cir. Apr. 25, 2011), the Federal Circuit affirmed the dismissal of Radio Systems Corporation's ("Radio Systems") DJ action for lack of personal jurisdiction.

Radio Systems, a Delaware corporation with its principal place of business in Tennessee, manufactures and sells pet-related products including its patented pet access door (the "SmartDoor"). Accession, Inc. ("Accession") is a New Jersey corporation with its principal place of business in New Jersey. Accession is the owner of U.S. Patent No. 7,207,141 ("the '141 patent"), directed to a portable pet access door (the "Wedgit") that can be inserted into sliding glass doors. Although the parties communicated regarding business opportunities, and Accession demonstrated the Wedgit to Radio Systems in Tennessee subject to a confidentiality agreement, the parties never agreed to a licensing arrangement.

Accession communicated with the PTO regarding its '141 patent, and the PTO withdrew its notice of allowance for Radio Systems' patent application on its SmartDoor invention. Accession sent cease-and-desist letters to Radio Systems, asserting that the SmartDoor infringed the '141 patent and suggesting that the dispute be settled through licensing. Radio Systems filed a complaint against Accession in the U.S. District Court for the Eastern District of Tennessee, seeking a DJ of noninfringement and invalidity of the '141 patent. On Accession's motion, the district court dismissed Radio Systems' complaint for lack of personal jurisdiction.

"[O]nly enforcement or defense efforts related to the patent rather than the patentee's own commercialization efforts are to be considered for establishing specific personal jurisdiction in a declaratory judgment action against the patentee." Slip op. at 8.

The Federal Circuit affirmed the dismissal, holding that the district court did not have specific personal

jurisdiction over Accession. First, the Court held that Accession's early communications with Radio Systems were focused on marketing rather than patent enforcement, and therefore did not establish personal jurisdiction. The Court reasoned that "only enforcement or defense efforts related to the patent rather than the patentee's own commercialization efforts are to be considered for establishing specific personal jurisdiction in a declaratory judgment action against the patentee." Slip op. at 8.

Second, the Federal Circuit held that personal jurisdiction was not established by the cease-and-desist letters from Accession to Radio Systems or by the interactions between Accession and the PTO. Regarding the latter, the Court reasoned that the PTO contacts were directed at Virginia (the site of the PTO) rather than Tennessee, and that "enforcement activities taking place outside the forum state do not give rise to personal jurisdiction in the forum" Slip op. at 12.

Finally, the Federal Circuit held that Accession had not consented to personal jurisdiction in the confidentiality agreement with Radio Systems. The Court reasoned that even though Accession agreed to personal jurisdiction in Tennessee for actions arising under the agreement or out of subject matter relating to the agreement, the DJ action did not arise under the agreement. Additionally, the DJ action did not arise out of subject matter relating to the agreement, because the agreement did not pertain to the '141 patent or the potentially infringing SmartDoor. The Federal Circuit thus sustained the district court's determination that the contacts between Accession and Tennessee were insufficient to give rise to personal jurisdiction over Accession.

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Claims to a Method of Detecting a Genetic Disorder Not Adequately Described Where the Gene Sequence or Its Specific Disease-Causing Mutations Were Not Disclosed

Mukta Jhalani

Judges: Gajarsa (author), Linn, Moore

[Appealed from C.D. Cal., Senior Judge Pfaelzer]

In *Billups-Rothenberg, Inc. v. Associated Regional & University Pathologists, Inc.*, No. 10-1401 (Fed. Cir. Apr. 29, 2011), the Federal Circuit affirmed the district court's SJ findings that the asserted claims of U.S. Patent No. 5,674,681 ("the '681 patent") were invalid for lack of written description and that the asserted claims of U.S. Patent No. 6,355,425 ("the '425 patent") were invalid as anticipated by the prior art.

The '681 and '425 patents describe genetic tests for a disorder characterized by excessive iron absorption by the body, known as Type I hereditary hemochromatosis ("hemochromatosis"). Deoxyribonucleic acid ("DNA") is composed of sequences of four nucleotides arranged in functional units, known as genes, that contain hereditary information. DNA is packaged into structures known as chromosomes. Mutations that alter a sequence of nucleotides may affect the structure or function of the protein encoded by the gene. Hemochromatosis is caused by specific genetic mutations in the *High Fe* ("*HFE*") gene that result in the formation of a mutated HFE protein that causes an increase in iron absorption from the gut. The claims in the patents-in-suit are directed to the detection of one or both of two distinct mutations in the *HFE* gene known as C282Y and S65C.

In 1994, Billups-Rothenberg, Inc. ("Billups") filed the application for the '681 patent, identifying the human chromosomal location of the gene responsible for hemochromatosis. The claims-at-issue covered methods of detecting mutations responsible for hemochromatosis even though the '681 patent did not identify any disease-causing mutations. Additionally, scientists working at Billups during that time were unable to isolate the hemochromatosis gene or any mutations of the gene.

In 1996, scientists unaffiliated with Billups isolated and sequenced the hemochromatosis gene and published their results. Their research resulted in several patents, including U.S. Patent No. 6,025,130 ("the '130 patent"). The '130 patent disclosed the exact genetic sequences for the three mutations at issue in this case: C282Y, H63D, and S65C. It also described genetic tests for hemochromatosis utilizing the mutations identified in the '130 patent. The '130 patent was assigned to Bio-Rad

Laboratories, Inc. (“Bio-Rad”) and licensed to Associated Regional and University Pathologists, Inc. (“ARUP”). ARUP continued to search for the hemochromatosis gene and developed an assay to detect the C282Y, H63D, and S65C mutations.

On March 26, 1999, the Billups researchers, having used the genetic sequences disclosed in the '130 patent, filed the application that issued as the '425 patent. The '425 patent claimed a method for diagnosing an iron disorder by testing for genetic mutations including S65C and concluded that the S65C mutation could be used to diagnose hemochromatosis.

In 2009, Billups sued ARUP and Bio-Rad for infringement of the '681 and '425 patents. The parties filed cross-motions for SJ after a *Markman* hearing. The district court found the '681 patent invalid for lack of an adequate written description because the DNA sequence of the hemochromatosis gene and/or sequence of the C282Y mutation were not expressly disclosed in the '681 patent. In light of its finding on written description, the district court did not rule on ARUP and Bio-Rad’s lack of enablement arguments. Additionally, the district court found the '425 patent invalid as anticipated by the '130 patent. Billups appealed.

The Federal Circuit agreed that the '681 patent lacked written description support. Specifically, the '681 patent claims a test for mutations, yet it was undisputed that neither the hemochromatosis gene sequence nor any specific mutations within that gene were disclosed. Additionally, the disclosure did not provide the exact location of the mutation in the gene. The Court rejected Billups argument that the claimed invention was adequately described: “Given the lack of knowledge of sequences for the hemochromatosis gene and its mutations in the field, the limited extent and content of the prior art, and the immaturity and unpredictability of the science when the '681 patent was filed, Billups cannot satisfy the written description requirement merely through references to later-acquired knowledge.” Slip op. at 11.

“Given the lack of knowledge of sequences for the hemochromatosis gene and its mutations in the field, the limited extent and content of the prior art, and the immaturity and unpredictability of the science when the '681 patent was filed, Billups cannot satisfy the written description requirement merely through references to later-acquired knowledge.” Slip op. at 11.

The Court noted that the '681 patent claims cover the identification of a genus of unknown genetic mutations. Thus, the patent “must set forth ‘either a representative number of species falling within the scope of the genus or structural features common to the members of the genus.’” *Id.* at 12 (quoting *Ariad Pharms., Inc. v. Eli Lilly & Co.*, 598 F.3d 1336, 1350 (Fed. Cir. 2010) (en banc)). The '681 patent, however, did not identify even a single species that satisfies the claims. Further, the Federal Circuit agreed with the district court that “the art did not establish a correlation between structure and function because the [p]atentee’s general location disclosure is too imprecise to constitute structural features necessary to meet the written description requirement.” *Id.* (alteration in original) (citation omitted). Rather, the specification “contains only functional, not structural, characteristics of the predicted mutations.” *Id.* (citation omitted). Thus, the district court properly granted SJ of invalidity for lack of adequate written description and was within its discretion to decline to rule on the nonenablement.

The Federal Circuit also agreed that the '425 patent was invalid as anticipated by the '130 patent. Specifically, the '130 patent was 35 U.S.C. § 102(e) prior art because it was filed nearly three years

before the '425 patent. The '130 patent disclosed the genetic sequence of the S65C mutation and described a genetic assay for detecting one or more of the C282Y, H63D, and S65C mutations. The Court acknowledged, as Billups had argued, that the '130 patent specification expresses uncertainty regarding the utility of the S65C mutation in the potential diagnosis of hemochromatosis. The Federal Circuit reiterated, however, that “[a] reference is no less anticipatory if, after disclosing the invention, the reference then disparages it.” *Id.* at 15 (quoting *Celeritas Techs., Ltd. v. Rockwell Int’l Corp.*, 150 F.3d 1354, 1361 (Fed. Cir. 1998)). Further, “whether a reference ‘teaches away’ from the invention is inapplicable to an anticipation analysis.” *Id.* (citation omitted). Thus, the Court found that the '130 patent anticipated the '425 patent’s claims because the '130 patent disclosed at least one diagnostic test for hemochromatosis that included identification of the S65C mutation, even though the '130 patent qualified its disclosure with the observation that the mutation “*may only be a polymorphic variant.*” *Id.* (citation omitted).

Finally, the Federal Circuit noted that Billups conceded during oral argument that it had waived its argument that the '130 patent was not enabled and hence could not be anticipatory. The Court, however, noted that, even if Billups’s argument were not waived, a district court presumes enablement of material in a prior art patent and that Billups failed to present persuasive evidence of nonenablement to the district court.

Accordingly, the Federal Circuit found the asserted claims of the '681 patent invalid for lack of written description and the asserted claims of the '425 patent invalid as anticipated by the '130 patent.

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The logo for Finnegan, featuring the word "FINNEGAN" in large, white, serif capital letters. The letters are superimposed over a background of several old, leather-bound books with gold-tooled spines, arranged in a row. The lighting is warm, highlighting the texture of the leather and the gold leaf.

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May 2011

False Marking Complaint Dismissed with Prejudice for Failing to Allege the False Marking of an Unpatented Article on a Website

David Albagli

Judges: Rader (author), Newman, Linn

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

In *Juniper Networks, Inc. v. Shipley*, No. 10-1327 (Fed. Cir. Apr. 29, 2011), the Federal Circuit affirmed the district court's dismissal of Juniper Networks, Inc.'s ("Juniper") amended false marking complaint for failure to state a claim because the amended complaint did not reasonably allege the marking of an "unpatented article" within the meaning of 35 U.S.C. § 292.

Juniper asserted that Peter M. Shipley maintained a website for the hacker community since 1995 and developed software known as "Dynamic Firewall." Shipley's website allegedly contained information on current projects under development by people in the hacker scene in the San Francisco/Berkeley Bay area and their friends. In 1997, the Dynamic Firewall project included a "Patent Pending" notation on Shipley's website. Shipley later received two patents, U.S. Patent Nos. 6,119,236 ("the '236 patent") and 6,304,975 ("the '975 patent"). After each patent grant, Shipley's website was modified to include the patent numbers next to the Dynamic Firewall project. The "Current Projects" also included the statement "Status: functioning" as part of the description for the Dynamic Firewall.

After the current owner of the '236 and '975 patents accused Juniper of infringement in a separate case, Juniper filed a separate case for false marking. Juniper alleged, based on information obtained via discovery in the infringement case, that Dynamic Firewall operated on Shipley's home network beginning in 1996 and as a component of his website. Juniper further alleged that Dynamic Firewall was destroyed in 1999 due to a hard drive crash and that Shipley had not re-created the prototype or produced another product embodying the invention.

After learning that the only embodiment of Dynamic Firewall was destroyed in 1999, Juniper brought suit accusing Shipley of false marking under 35 U.S.C. § 292. The district court dismissed Juniper's original complaint with leave to amend. In its amended complaint, Juniper alleged that Shipley falsely marked "the Website and any firewall or other security products or services operating thereon, as well as web pages generated by the Website." Slip op. at 9 (citation omitted). Juniper did not allege that the Dynamic Firewall software itself was falsely marked. The district court again dismissed the complaint for failure to state a claim, this time without leave to amend, after finding that Juniper had not pled facts showing that

ShIPLEY marked an “unpatented article.” JUNIPER appealed.

The Federal Court held that JUNIPER’s amended complaint did not state facts showing that an “unpatented article” was marked upon, affixed with a label, or advertised in a manner importing that it is patented as is required to state a claim under § 292. Further, any such claim would have likely been time barred under 28 U.S.C. § 2462 and in conflict with the Court’s precedent requiring that a mismarked article must actually exist.

“Because the [] policy concerns [justifying § 292] apply equally to websites as to traditional articles of manufacture or design, and because websites may both embody intellectual property and contain identifying markings, . . . websites can qualify as unpatented articles within the scope of § 292.” Slip op. at 9.

First, the Federal Circuit found that “[b]ecause the [] policy concerns [justifying § 292] apply equally to websites as to traditional articles of manufacture or design, and because websites may both embody intellectual property and contain identifying markings, . . . websites can qualify as unpatented articles within the scope of § 292.” *Id.* Second, the Court rejected JUNIPER’s assertions that the statements on the website, including a statement that the “status” was “functioning,” implied that Dynamic Firewall was working to protect the website. Further, nothing on the website reasonably suggested that any projects other than Dynamic Firewall related to the patents marked. Thus, the Court noted that it “need not indulge in unwarranted inferences”; rather, “it is beyond cavil that, when considered *in context*, the reference to ‘functioning’ relates to the progress of the project, not that the software was functioning or operating *on the Website*.” *Id.* at 10 (citation omitted).

The Federal Circuit also rejected JUNIPER’s other arguments. Specifically, with respect to the “affixing” or “advertising” prongs of § 292, even assuming that the facts rose to the level of an advertisement, the allegedly affixed marks related to Dynamic Firewall, not the website, software operating on the website, or pages generated by the website. Additionally, the Federal Circuit rejected JUNIPER’s argument that the district court improperly applied Fed. R. Civ. P. 12(b)(6): “the district court drew on its ‘judicial experience and common sense’ in identifying the unwarranted inference at the heart of JUNIPER’s claim.” *Id.* at 11 (citation omitted). Further, the district court’s dismissal without leave to amend was proper in this instance because the website excerpts were clear and unambiguous on their face, JUNIPER’s amended complaint “could not be saved by further amendment,” *id.* at 12, and the district court previously granted JUNIPER leave to amend and yet the amended complaint remained deficient. Finally, the Court rejected SHIPLEY’s alternative argument that JUNIPER lacked standing to assert its false marking claim since the Federal Circuit had already rejected the same argument in *Stauffer v. Brooks Brothers, Inc.*, 619 F.3d 1321, 1325 (Fed. Cir. 2010). “Because the United States suffers an injury when the false marking statute is violated, JUNIPER had standing to assert a *qui tam* claim against SHIPLEY under 35 U.S.C. § 292.” Slip op. at 13.

Accordingly, the Federal Circuit affirmed the district court’s dismissal with prejudice.

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May 2011

Claims Invalidated Because Specification Does Not Set Forth the Best Mode as Contemplated by at Least One of the Inventors

Marya K. Jones

Judges: Rader (author), Lourie, Whyte (sitting by designation)

[Appealed from D. Del., Judge Robinson]

In *Wellman, Inc. v. Eastman Chemical Co.*, No. 10-1249 (Fed. Cir. Apr. 29, 2011), the Federal Circuit affirmed the district court's grant of SJ, holding that all but five of the asserted claims of U.S. Patent Nos. 7,129,317 ("the '317 patent") and 7,094,863 ("the '863 patent") (collectively "the Wellman patents") were invalid for failing to disclose the best mode. In addition, the Federal Circuit reversed the district court's grant of SJ, holding that the asserted claims of the Wellman patents were invalid for indefiniteness. The Federal Circuit remanded for further proceedings.

Wellman, Inc. ("Wellman") brought suit against Eastman Chemical Company ("Eastman"), alleging infringement of the Wellman patents. The Wellman patents are directed towards "slow crystallizing" polyethylene terephthalate ("PET") resins for use in plastic beverage containers. Wellman had commercialized a "slow-crystallizing" PET resin called Ti818 by the time Wellman filed the application leading to the '317 patent in May 2004. The recipe for Ti818 was not disclosed in the Wellman patents, nor did the patents disclose any other specific PET resin recipes. The Wellman patents did provide ranges of concentrations of possible ingredients. However, the preferred ranges in the Wellman patents for isophthalic acid and diethylene glycol did not embrace the amounts of isophthalic acid and diethylene glycol contained in Ti818.

The Wellman patents disclose optional heat-up rate ("HUR") additives for the PET resin that improve the resin's reheating profile during bottle blow molding. Natural spinels and synthetic spinels are described in the Wellman patents as the "most preferred" HUR additives. In contrast, carbon-based HUR additives are described as "one embodiment" of the invention. In addition, the Wellman patents state that "suitable" carbon-based additives include carbon black and that U.S. Patent No. 4,408,004 ("Pengilly") discloses "satisfactory" carbon black HUR additives. Pengilly teaches a preferred average particle size for carbon black in a range of between about 15 to about 30 nm. Notably, Ti818 includes a carbon black additive called N990, which is a specific type of carbon black with a 290 nm particle size.

On Eastman's motion for SJ, the district court held that all of the asserted claims, except for five claims that Wellman contends do not encompass Ti818, were invalid for failing to disclose the best mode. The

district court also held that the claims were invalid for indefiniteness.

On appeal, the Federal Circuit affirmed the district court's grant of SJ for failure to set forth the best mode of practicing the claimed invention and reversed the district court's grant of SJ for indefiniteness. With respect to best mode, the Federal Circuit noted that usually the best mode inquiry begins by construing the claims. However, that was not necessary here because the parties disputed only whether five claims of the Wellman patents encompass Ti818—the parties agreed that the remainder of the asserted claims encompass Ti818—and the district court had limited its best mode holding to the uncontroverted claims.

Second, if the inventor has a subjective preference for one mode over all others, the Federal Circuit must then determine whether the inventor “concealed” the preferred mode from the public. The second prong inquires into the inventor's disclosure of the best mode and the adequacy of that disclosure to enable one of ordinary skill in the art to practice that part of the invention. This second inquiry is objective, depending on the scope of the claimed invention and the level of skill in the relevant art.

“While there is no requirement under 35 U.S.C. § 112 ¶ 1 to identify which disclosed mode is the best mode, and best mode may be represented by a preferred range of conditions or groups of ingredients, Wellman concealed the best mode by not disclosing the recipe for Ti818, by identifying preferred concentration ranges for certain ingredients that excluded those used in Ti818, and by identifying preferred particles sizes for the HUR additive other than that used in Ti818.” Slip op. at 17-18 (citations omitted).

The best mode inquiry requires the Federal Circuit to first subjectively determine whether, at the time of patent filing, the inventor possessed a best mode of practicing the claimed invention based on the inventor's personal preferences as of the application's filing date. With respect to this first prong, the Federal Circuit stated that there was no genuine dispute that at least one inventor subjectively believed that Ti818 was the best resin available for hot-fill packaging at the time the Wellman patents were filed. The Federal Circuit also noted that the record indicated that different recipes for Ti818 had been tested up to May 2004, and that “an evolving recipe potentially means that the inventors had no best mode of practicing the invention,” but concluded that “[s]ubtle changes in the recipe in 2004 to accommodate specific customer demands does not excuse the applicant's obligation to disclose what Dr. Nichols—and every other inventor—contemplated was the best mode of practicing the invention at the time of filing.” Slip op. at 12.

The Federal Circuit also found that there was no genuine dispute that at least one inventor subjectively believed that the specific HUR additive used in Ti818, carbon black N990, was essential. Although after testing, one inventor indicated a clear preference for carbon black N990 with a particular particle size, Wellman did not disclose carbon black N990 in its patent applications. Instead, Wellman chose to protect this ingredient as a trade secret. In fact, Wellman continued to protect the use of N990 in its PET resin products as a trade secret from its discovery in 2002 through February 2010 and requested that the district court seal the courtroom during the arguments on SJ expressly to maintain the confidentiality of N990.

Notwithstanding these admissions, Wellman argued that experimental work created a genuine dispute of material fact as to whether the inventors believed that carbon black N990 was the most preferred HUR additive at the time of filing. The Federal Circuit though found that Wellman's arguments had both

procedural and substantive shortcomings. With respect to procedure, the significance of the data in the Wellman patents had not been raised before the district court, so the Federal Circuit held that Wellman forfeited the right to argue its significance on appeal. With respect to substance, the Federal Circuit stated that the data did not compare the appropriate PET recipes and that the testimony regarding the inventor's preference at the time of filing was undermined by the disclosed preferred embodiment and Wellman's contemporaneous internal documents clearly praising carbon black N990. Thus, the Federal Circuit concluded that at least one inventor possessed a subjective preference for Ti818 and at least one inventor possessed a subjective preference for carbon black N990 at the date of filing.

Next, because the inventors had a subjective preference for one mode over all others, the Federal Circuit turned to the second prong of the best mode inquiry—whether there was any issue of material fact concerning concealment of the best mode. The objective second prong inquires into the inventor's disclosure of the best mode and the adequacy of that disclosure to enable one of ordinary skill in the art to practice that part of the invention. The Federal Circuit found that “[w]hile there is no requirement under 35 U.S.C. § 112 ¶ 1 to identify which disclosed mode is the best mode, and best mode may be represented by a preferred range of conditions or groups of ingredients, Wellman concealed the best mode by not disclosing the recipe for Ti818, by identifying preferred concentration ranges for certain ingredients that excluded those used in Ti818, and by identifying preferred particles sizes for the HUR additive other than that used in Ti818.” *Id.* at 17-18 (citations omitted).

Despite these facts, the Federal Circuit also went on to examine Wellman's disclosure to discern whether it enabled a person of skill in the art to practice the best mode without undue experimentation. The Federal Circuit noted that one inventor admitted that he could not derive the recipe for Ti818 from the disclosure in the Wellman patents. Further, while this inventor testified that a series of design experiments could be developed to identify a resin meeting the claimed limitations, he did not state that those experiments would yield Ti818. The Federal Circuit concluded that by masking what at least one inventor considered the best of these slow-crystallizing resins, Wellman effectively concealed its recipe for Ti818.

Lastly, the Federal Circuit found that Wellman *intentionally* concealed the best mode, because Wellman chose to maintain N990 as a trade secret. Invalidation based on a best mode violation requires that the inventor knew of and intentionally concealed a better mode than was disclosed. Thus, the Federal Circuit affirmed the invalidity of all but five of the asserted claims of the Wellman patents for failure to comply with the best mode requirement.

With respect to indefiniteness, the Federal Circuit found that the district court erred in concluding that the Wellman patents do not provide sufficient guidance for construing the T_{CH} claim term. T_{CH} is the temperature at which the sample crystallizes the fastest during heating in a differential scanning calorimetry (“DSC”) machine. All of the claims asserted by Wellman contain a limitation to a PET resin having a certain T_{CH} as measured by DSC. The district court found that the Wellman patents do not disclose or suggest the desired moisture content for the claimed PET resins and that the Wellman patents are ambiguous as to whether the DSC measurement should be determined via a second scan or a first scan, even though both of these variations can affect T_{CH} measurements. The district court concluded that, given this “multitude of choices,” the T_{CH} limitations in the asserted claims were not amenable to construction, rendering all of the asserted claims invalid as indefinite.

On appeal, the Federal Circuit disagreed. The Federal Circuit first determined that the specifications of the Wellman patents support construing the T_{CH} term to require testing of amorphous, not crystalline,

PET material. Second, the Federal Circuit addressed the lack of specific moisture conditions in the Wellman patents for DSC testing. The Federal Circuit stated that well-known industry standards need not be repeated in a patent and, here, the record shows that a person of ordinary skill in the art in this field would follow standard industry guidance for moisture conditions of plastics for DSC. Lastly, regarding whether the DSC measurement should be determined via a second scan or a first scan, the Federal Circuit found that a person of ordinary skill in the art would know when to use the results of a first scan and when to use the results of a second scan. Thus, the Federal Circuit reversed the invalidity of the asserted claims for indefiniteness.

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