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## “Series of Threads” Decision “Turns” in Favor of Patentee

Jemy Soegeng

[Judges: Rich (author), Clevenger, and Gajarsa]

In *Karlin Technology, Inc. v. Surgical Dynamics, Inc.*, No. 97-1470 (Fed. Cir. April 16, 1999), the Federal Circuit reversed a district court’s grant of summary judgment (“SJ”) of noninfringement of claims 1, 3, and 4 of U.S. Patent No. 5,015,247 (“the ‘247 patent”) in favor of Surgical Dynamics, Inc. (“SDI”), ruling that SDI’s accused device literally infringes the properly construed claims of the ‘247 patent as a matter of law.

Karlin Technology, Inc. (“Karlin”) owns the ‘247 patent, entitled “Threaded Spinal Implant.” Sofamor Danek Group, Inc. (“Sofamor Danek”) is a licensee under the ‘247 patent. The ‘247 patent describes spinal implants for stabilizing adjacent spinal vertebrae that generally comprise a hollow cylinder with external threads and holes through the cylindrical surface. While affected vertebrae are initially stabilized by the implants themselves, bone growth through the holes in the implants eventually fuses the vertebrae together.

Karlin and Sofamor Danek sued SDI for infringement of the ‘247 patent based on SDI’s manufacture and sale of an implant configuration referred to as the Ray TFC spinal implant. The Ray TFC implant also comprises a hollow cylinder with external threads and holes through the cylindrical surface. The parties filed opposing SJ motions on the issues of claim construction and infringement.

Claim 1 of the ‘247 patent recites a cylindrical member and a series of threads on the exterior of the cylindrical member. Based on the preferred embodiment, the district court had narrowly interpreted the language “series of threads” to require highly specialized, periodically interrupted threads with the tail ends of each being blunted and twisted to resist accidental unscrewing.

On appeal, the Federal Circuit looked to three different technical references to find relevant definitions of “series” and “thread.” The Court concluded that the ordinary meaning of “series of threads” to one of skill in the art, or even according to common knowledge, was simply the continuous threading with a plurality of turns, as found on an ordinary screw or bolt.

The Court also relied on the doctrine of claim differentiation to support a broader construction of “series of threads,” given that dependent claims 8 and 9 recite additional structure related to the threads, *i.e.*, “locking” threads, and “interrupted” threads.

Examining the written description and prosecution history of the ‘247 patent, the Court found

that the terms “present invention” and “preferred embodiment” had been used interchangeably. Thus, only the preferred embodiment was limited to the highly specialized threads, and nothing in the written description or the prosecution history narrowed the ordinary meaning of “series of threads.”

Finding that SDI’s Ray TFC spinal implant contained a series of threads as properly interpreted, and noting that SDI did not contest that all of the other limitations of claims 1, 3, and 4 of the ‘247 patent were found in the Ray TFC implant, the Federal Circuit reversed the district court’s SJ of noninfringement in favor of SDI, and granted SJ of literal infringement in favor of Karlin. The Court remanded the case for further proceedings on validity.

[Don Dunner, Tom Jenkins, and Dirk Thomas of our firm successfully represented Karlin Technology and Sofamor Danek on appeal.]

## When One Equals Two

Geoff Mason

[Judges: Newman (author), Rich, and Michel]

The Federal Circuit’s decision in *Festo v. Shoketsu Kinzoku Kohyo Kabushiki Co.*, No. 95-1066 (Fed. Cir. Apr. 19, 1999) (“Festo II”) followed a vacatur and remand by the Supreme Court of the Federal Circuit’s previous 1995 decision for reconsideration in light of the intervening decision of *Warner-Jenkinson Co. v. Hilton Davis Chemical Co.*, 520 U.S. 17 (1997). Upon reconsideration, the Federal Circuit reaffirmed the district court’s grant of summary judgment (“SJ”) of infringement under the doctrine of equivalents (“DOE”) of U.S. Patent No. 3,779,401 (“the Carroll patent”), but vacated and remanded the jury verdict that U.S. Patent No. 4,354,125 (“the Stoll patent”) was infringed under the DOE. Although the Federal Circuit had previously affirmed as to both patents, *see Festo v. Shoketsu Kinzoku Kohyo Kabushiki Co.*, 72 F.3d 857 (Fed. Cir. 1995) (“Festo I”), and affirmed upon reconsideration as to the Carroll patent, the Court found that new evidence of a potential estoppel applies to the Stoll patent warranted remand to the district court.

The Carroll and Stoll patents relate to magnetically coupled rodless cylinders, which are used to repeatedly move articles a short distance, for example in assembly lines. The issue with respect to the Carroll patent concerned whether the doctrine of equivalents could be applied to a claim directed, in relevant part, to “a pair of resilient sealing rings.” The parties agreed that the accused device had a

single two-way sealing ring that performed the same function as the claimed “pair of resilient sealing rings,” in the same way, with the same result. Nevertheless, the accused infringer argued that the DOE should not be applied for two reasons: first, the “all-elements” rule barred application of the DOE against a product that used a *single* two-way sealing ring when the claim element defined “a pair of resilient sealing rings”; second, the presumption of prosecution history estoppel created by *Warner-Jenkinson* barred access to the DOE, because the “pair of resilient sealing rings” limitation had been added during a reexamination of the Carroll patent.

The Federal Circuit reviewed its precedent on the “all-elements” rule since *Pennwalt Corp. v. Durand-Wayland, Inc.*, 833 F.2d 931 (Fed. Cir. 1987)(*en banc*), and concluded that its precedent “illustrates that the ‘all elements rule’ or ‘all-limitations rule,’ in limiting application of the DOE to each element or step, does not eliminate access to equivalency in all of the possible circumstances in which the components of an apparatus are realigned or a limitation is changed.” *Festo II*, slip op. at 12. The Federal Circuit then concluded that *Warner-Jenkinson* provides no basis to believe that the Supreme Court intended to erase the Federal Circuit’s “wealth of precedent.” *Festo II*, slip op. at 12. Moreover, *Warner-Jenkinson* made it appropriate to identify “the role played by each element in the context of the specific patent claim.” *Festo II*, slip op. at 12.

The Federal Circuit also ruled that compliance with the all-elements rule is determined by a court, as a matter of claim construction, at the threshold of the equivalence analysis: “Thus, we review compliance with the all-elements rule as a question for the court, first identifying the claim elements as a matter of construction of the claim, . . . and then determining the correspondence of these elements, or limitations, with the components or steps of the accused device or process.” *Festo II*, slip op. at 13.

Applying these rules to the Carroll patent, the Federal Circuit agreed that both the claimed “pair of rings” and the accused “sealing ring,” as configured, effect a fluid tight seal of the cylinder. Thus, the claim element had not been eliminated, but had been substituted with a single ring that fully preserves the claimed function. Because the accused infringer did not dispute that the configurations otherwise satisfied the traditional “function/way/result” test, the Court affirmed the finding of equivalence.

Concerning prosecution history estoppel and the “new presumption” from *Warner-Jenkinson*, the Federal Circuit rejected the accused infringer’s position and concluded that estoppel should not apply automatically to any amendment made during reexamination.

As for the Stoll patent, the issue concerned whether the DOE could be applied to the claim ele-

ments: “first sealing rings” and “sleeve made of a magnetizable material.”

Using a similar analysis for the Stoll patent as it was used for the Carroll patent, the Court found that the “first sealing rings” limitation was met, again because the accused components played the same role as the claimed elements.

The infringer also argued, however, that the all-elements rule barred access to the doctrine because the claimed “sleeve made of a magnetizable material” could not be applied to its sleeve (which was not made of magnetizable material) without eliminating the “magnetizable material” element. The Federal Circuit disagreed, finding that the sleeve, although not magnetizable, nevertheless served the same purpose: containing magnetic flux emanating from the cylinder, which would (if unchecked) decrease the efficiency of the device by acting as a brake on the piston.

The accused infringer also argued that prosecution history estoppel prevented the application of the DOE, pointing out that the limitations at issue had been made upon reexamination.

The Federal Circuit again rejected the automatic estoppel portion of this argument, finding no reason to overturn the district court’s finding that the magnetizable sleeve limitation was simply a voluntary amendment. The Federal Circuit remanded, however, for a finding on whether the “first sealing rings” amendment was required, as it must be for estoppel to apply.

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## The Federal Circuit Revisits § 101 and “Mathematical Algorithm Exception”

Howard A. Kwon

[Judges: Plager (author), Clevenger, and Rader]

On the heels of its landmark decision in *State Street Bank & Trust Co. v. Signature Financial Group, Inc.*, 149 F.3d 1368 (Fed. Cir. 1998), the Federal Circuit again clarified the scope and applicability of the so-called “mathematical algorithm exception” to patentable subject matter under 35 U.S.C. § 101. In *AT&T Corp. v. Excel Communications, Inc.*, No. 98-1338 (Fed. Cir. Apr. 14, 1999), the Court held that claims directed to a method for generating a particular data field in an electronic record were not invalid under § 101.

The invention at issue relates to the generation of information in an electronic record for long-distance telephone calls that permits differential billing treatment for subscribers. Specifically, AT&T’s patent calls for the addition of a special data field in

a standard message record, known as a primary interexchange carrier (“PIC”) indicator, for each long distance call. The PIC indicator exists as a flag or code that indicates the result of a comparison of PIC information. For example, the PIC indicator could indicate whether the caller’s PIC was the same as the recipient’s PIC. According to the patent, the caller could then be billed as a function of the value of the PIC indicator.

On motion by Excel Communications, Inc. (“Excel”), the district court granted summary judgment (“SJ”) of invalidity under § 101, concluding that the method claims implicitly recited a mathematical algorithm. While the district court noted that the claimed method was designed to operate within a telecommunication system, it nevertheless determined that this was insufficient to convert the otherwise abstract mathematical algorithm embodied in the claims into patentable subject matter.

AT&T appealed. While the appeal was pending, the Federal Circuit issued its decision in *State Street Bank*, in which it held that a data processing system for implementing a financial management structure satisfied the requirements of § 101 because it constituted a “practical application of a mathematical algorithm . . . [b]y produc[ing] ‘a useful, concrete and tangible result.’” 149 F.3d at 1373. Noting that the district court did not have the benefit of that decision when it ruled on Excel’s SJ motion, the Federal Circuit applied its recent explication of the law regarding the patentability of computer-related inventions to the AT&T appeal.

Although AT&T’s patent contained both apparatus and method claims, AT&T only asserted method claims in its infringement action against Excel, due largely to the fact that Excel was a reseller or resale carrier that did not own any long-distance facilities. This distinction between method and apparatus claims, however, was irrelevant to the Court’s inquiry under § 101.

The Federal Circuit affirmed the rule pronounced in *State Street Bank* that an invention employing a mathematical algorithm is not invalid when the algorithm is applied in a useful way. It agreed that the claimed process applied a Boolean algebraic operation to generate the PIC indicator. This was not determinative, however, because the mathematical operation was used to produce a useful, concrete, tangible result without preempting other uses of the operation. Accordingly, the Court concluded that the claimed process “comfortably falls within the scope of § 101.” *AT&T*, slip op. at 12.

The Federal Circuit rejected Excel’s arguments based on its pre-*State Street Bank* precedent. For example, the Court disagreed that method claims containing mathematical algorithms are patentable subject matter only if there is a “physical transformation” of subject matter from one state to another. According to the Court, transforming or reduc-

ing an article to a different state or thing is only one example of how a mathematical algorithm may bring about a useful application, but is not an exclusive or invariable requirement of patentability under § 101. *Id.* at 12-13.

The Court also dismissed the argument that physical limitations are necessary to secure patentability under § 101. It noted that the continuing viability of the “physical limitations” inquiry stemming from the *Freeman-Walter-Abele* trilogy and its progeny was questionable in the aftermath of the Supreme Court’s decision in *Diamond v. Diehr*, 450 U.S. 175 (1981) and the Federal Circuit’s *en banc* decision of *In re Alappat*, 33 F.3d 1526 (Fed. Cir. 1994). Consistent with its recent pronouncements in *State Street Bank*, the Court instructed that the proper focus for purposes of § 101 is not on the presence or absence of physical limitations, but whether the operation of the mathematical algorithm produces a useful, concrete, and tangible result. Under that test, the method claimed in AT&T’s patent passed muster under § 101.

In so ruling, the Court acknowledged its reliance on a clearer understanding that its more recent cases have provided. According to the Court, the law regarding patentability of computer-related inventions has evolved—and continues to evolve—with the development of such inventions. Indeed, as Judge Plager explained on behalf of the Court, “[t]his court (and its predecessor) has struggled to make our understanding of the scope of § 101 responsive to the needs of the modern world.” *AT&T*, slip op. at 8-9.

## Who Bears Burdens on Hypothetical Claim Analysis

Robert J. McManus

[Judges: Lourie (author), Schall, and Bryson]

In *Streamfeeder, LLC v. Sure-Feed Systems, Inc.*, No. 98-1521 (Fed. Cir. Apr. 20, 1999), the Federal Circuit reversed a district court’s adoption of the jury’s finding of infringement under the doctrine of equivalents (“DOE”).

The litigated patents involve “bottom sheet feeders,” *i.e.*, devices that collate paper and other thin materials for processing in a number of industrial applications including mass mailing, printing, and binding. Streamfeeder, LLC (“Streamfeeder”) is the assignee of U.S. Patent No. 4,991,831 (“the ‘831 patent”); Sure-Feed Systems, Inc. (“Sure-Feed”) is the assignee of U.S. Patent No. 5,601,282 (“the ‘282 patent”). Streamfeeder sued Sure-Feed

for infringement of certain claims of the '831 patent under the DOE.

The crucial technical issue concerned the manner with which a "gate" in the respective devices controls paper feeding. A gate prevents any additional sheets from traveling with the bottommost sheet, such that the sheets are processed one at a time.

The '831 patent employs a circular gate with two surfaces—one surface, Surface 1, faces a stack of papers to be fed into the machine, and a second surface, Surface 2, located at a "nip," or space between a belt and the gate. Both surfaces contain grooves with embedded "O" rings, but the degree to which these materials are exposed on the surfaces varies. The grooves on Surface 1 are deep within the roll such that the surface has a relatively low coefficient of friction ( $\mu$ ). Conversely, the grooves on Surface 2 are raised, exposing the "O" rings and creating a "relatively high  $\mu$  when compared with Surface 1. This higher  $\mu$  value on Surface 2 prevents double-feeding of sheets through the nip.

Conversely, the '282 patent employs a pivotable gate design different from the gate of the '831 patent in two main respects. First, the '282 patent gate design is elliptical, which amplifies the "shingling" of the sheets of paper. Shingling is a process of moving sheets of paper in a staggered fashion as they approach the nip, each sheet moving slightly further in the direction of feeding than the one above it. Second, the '282 patent gate design includes grooves at a uniform depth, which allows the "O" rings to be exposed equally across the surface of the ellipse. This design allegedly results in a gate with a uniformly high  $\mu$  on all surfaces that come in contact with the sheets being fed.

Sure-Feed moved for summary judgment ("SJ") of noninfringement, arguing that if the claims were enlarged to include their allegedly infringing device, the claims would also impermissibly read on the prior art. In response, Streamfeeder submitted a hypothetical independent claim 1, under the reasoning of *Wilson Sporting Goods Co. v. David Geoffrey & Associates*, 904 F.2d 677 (Fed. Cir. 1990), and argued its patentability. Streamfeeder's hypothetical claim differed from its original claim in two respects. First, the gate limitation was narrowed to include a cylindrical member. Second, a limitation requiring differing frictional coefficients on two surfaces was broadened to require two surfaces with different frictional force values.

The district court found that the hypothetical claim would have been patentable over the prior art such that the prior art did not restrict application of the DOE. The case was then tried to a jury, which found that Sure-Feed's device had infringed. The district court adopted the jury's findings, and Sure-Feed appealed.

The Federal Circuit reviewed de novo the question of whether the scope of equivalents accorded to the hypothetical claim would encompass the prior art. The Federal Circuit also addressed the procedural question of which party bears the burden of proving whether the hypothetical claim does or does not read on the prior art. The Court ruled that although an accused infringer has the burden of going forward by presenting prior art that shows that the asserted range of equivalence would encompass the prior art, the patentee bears the burden of persuasion to show that the claim does not cover the prior art.

On the merits, the Federal Circuit concluded that the district court had erred in adopting Streamfeeder's hypothetical claim. The Court warned that the hypothetical claim analysis was not a mechanism for freely redrafting granted claims. The Court concluded:

While use of a hypothetical claim may permit a minor extension of a claim to cover subject matter that is substantially equivalent to that literally claimed, one cannot, in the course of litigation and outside of the PTO, cut and trim, expanding here, and narrowing there, to arrive at a claim that encompasses an accused device, but avoids the prior art. Slight broadening is permitted at that point, but not narrowing.

*Streamfeeder*, slip op. at 13.

The Court then concluded that based on an acceptable form of the hypothetical claim, one without the narrowed gate member limitation, Sure-Feed had sustained its initial burden by showing that this version of the hypothetical claim read on a combination of two prior art patents. Streamfeeder, however, had failed to carry its burden of persuasion that the prior art did not read on the hypothetical claim. Accordingly, the Court reversed the judgment of infringement under the DOE.

## Comments in Background and Summary of Patent Limit Scope of Means-Plus-Function Limitation

David A. Manspeizer

**[Judges: Rader (author), Mayer and Newman]**

In *Signtech USA, Ltd. v. Vutek, Inc.*, No. 98-1171 (Fed. Cir. Apr. 8, 1999), the Federal Circuit once again emphasized the importance of carefully choosing claim language as well as the language of

the specification. In so doing, the Court agreed with Vutek, Inc. (“Vutek”) that by narrowly describing an “ink delivery means” of the claimed invention and by choosing means-plus-function language, Signtech USA, Ltd. (“Signtech”) had limited the scope of its claims to the preferred embodiment described in the specification. Accordingly, the Federal Circuit affirmed the lower court’s finding of noninfringement.

Signtech’s patent disclosed and claimed an ink sprayhead design featuring one pressurized air source to control ink delivery and a second, low-volume, high pressure air source to continuously clean the ink nozzle during printing. Signtech claimed this feature as an “ink delivery means.” The Federal Circuit agreed with Vutek that, although not using the words “means for,” the term “ink delivery means” was nonetheless, in means-plus-function language because “ink delivery” was purely functional language.

The Court then looked to the specification to interpret this limitation. The specification, according to the Court, disclosed little more than the preferred embodiment, attributing the unique abilities of the claimed invention to its use of two air sources. Moreover, in the specification, Signtech had distinguished Vutek’s patent, which used a single air source, and stated that Vutek’s patented printer configuration was incapable of producing the desired effect, namely an enlarged image having the desired color scheme. Thus, distinguishing the accused structure (as disclosed in Vutek’s prior art patent) as incapable of achieving the desired results, the patentee excluded it as an equivalent. Accordingly, the Federal Circuit argued that the claim term “ink delivery means” was limited to the preferred embodiment disclosed in the specification. Since Vutek’s accused products did not include the preferred configuration, the Court affirmed the judgment of noninfringement.

In concluding its claim interpretation analysis, the Court stated that this decision, like others, emphasized the importance of careful language choices in the specification and the claims. The Court particularly pointed out that the claim drafter could have chosen language to avoid application of § 112, ¶ 6, but failed to make such a choice. It also noted that Signtech could have, but did not, file a continuation application with claim language not invoking § 112, ¶ 6.

## “Means-Plus-Function-Plus-Structure” Does Not Invoke § 112, ¶ 6

*R. Bruce Bower*

**[Judges: Rader (author), Lourie, and Friedman]**

In *Rodime PLC v. Seagate Technology, Inc.*, No. 98-1076 (Fed. Cir. Apr. 13, 1999), the Federal Circuit vacated a summary judgment (“SJ”) of noninfringement after ruling that the district court had improperly applied 35 U.S.C. § 112, ¶ 6 to restrict the claim scope. The Federal Circuit also vacated a SJ of no liability on the patentee’s state-law claims for tortious interference with prospective business advantage and unfair competition.

In 1992, Rodime PLC (“Rodime”) sued Seagate Technology, Inc. (“Seagate”) for infringement of its U.S. Patent No. 4,638,383 (“the ‘383 patent”) directed to the miniaturization of computer hard disk drives, like the 3½-inch drives used in personal computers. Rodime’s patent addresses the accurate positioning of the “read/write heads” within a disk drive. Precise and consistent positioning of the heads at the correct storage location on a disk track must occur even when heat causes the disk and the drive to expand. In the embodiment disclosed in the ‘383 patent, a positioning mechanism that moves the heads is made of various metals that expand by controlled amounts, causing a corrective movement of the drive head to position it at the right location within a disk track. Each of the asserted claims of Rodime’s ‘383 patent recite a “positioning means for moving [a] transducer means.” The claims, however, further require that the positioning means includes additional structure, such as two support arms, a pivot shaft, a positioning arm, a bearing assembly, a stepper motor, and a tensioned steel band.

The district court had concluded that 35 U.S.C. § 112, ¶ 6 covered the claimed “positioning means” and determined that the corresponding structure in the specification included structure for performing thermal compensation functions. As such, the district court had interpreted the claims to require that thermal compensation be performed solely by the arrangement, geometry, and selection of disclosed materials for the positioning mechanism. Under this interpretation, the district court had found that Seagate’s drive did not infringe because it used

structure additional to the materials of the positioning mechanism, namely a thermal pin, to perform thermal compensation.

The Federal Circuit disagreed with the district court's claim construction, concluding that the "positioning means" element in the asserted patent did not fall within the interpretation rules of § 112, ¶ 6. The Court noted that although the word "means" in a claim element creates a presumption that § 112, ¶ 6 applies, two circumstances may rebut this presumption: (1) when the claim element recites no function corresponding to the "means"; and (2) when the claim element does specify a function but also recites sufficient structure or material for performing that function.

The Federal Circuit found that the detailed recitation of structure for performing the moving function of the "positioning means" overcame the presumption that applied under § 112, ¶ 6. In response to arguments that the claim did not recite every detail of structure disclosed in the specification for performing the recited moving function, the Court noted that "the claim need only recite 'sufficient' structure to perform entirely the claimed function" to avoid § 112, ¶ 6. *Rodime*, slip op. at 16.

The Federal Circuit also found that the district court had erred by interpreting the positioning means to require not only movement of the transducer, but also thermal compensation to do so accurately. The Court dismissed Seagate's argument that "positioning" implies placement beyond mere "moving," and emphasized that the recited function of moving the transducer says nothing about accurate placement of a head within a track or about thermal compensation. Just because the positioning mechanism in the specification also accomplishes thermal compensation did not mean that the claimed "positioning means" required this additional function, according to the Court. The fact that other claims in the patent explicitly require thermal compensation verified that the asserted claims do not include a thermal compensation function. Also, the Examiner's rejection during reexamination of those other claims, but not the asserted claims, over prior art that disclosed thermal compensation techniques supported the Federal Circuit's claim construction. Consequently, the Court vacated the SJ of noninfringement and remanded the case to determine whether Seagate had infringed.

The state law claims arose because Seagate had not only refused to take a license from Rodime but had also attempted to dissuade other competitors such as Quantum Corporation and Western Digital Corporation from taking licenses. Seagate had also arranged meetings among hard-drive manufacturers, other than Rodime, to discuss concerns with "form factor patents," *i.e.*, patents whose sole point of novelty is the miniaturization of a known tech-

nology, and petitioned the government against the issuance of form factor patents. For example, two months before the first form factor meeting, Norman Talsoe, a one-time employee of Seagate, sent a letter to the Undersecretary for Technology at the Department of Commerce discussing the form factor issue and specifically mentioning Rodime's patent. Mr. Talsoe represented that he had "left Seagate" and offered his consulting services to the Undersecretary. The record, however, indicated that Seagate was still paying him a salary and benefits at the time, and that Seagate's counsel had assisted in preparing the letter. The participants in the form factor meetings also met with U.S. Patent and Trademark Office ("PTO") officials and suggested changes to the examining procedures concerning form factor patents. Seagate suggested that the PTO hire an "independent consultant" and specifically proposed Mr. Talsoe, even though Seagate still employed him as a consultant at the time.

On these facts, the Federal Circuit reversed the SJ that Rodime had failed to state a claim for tortious interference with prospective economic advantage or for unfair competition, finding material issues of fact concerning whether Seagate's activities were wrongful by some legal measure other than the interference itself. In particular, the Court found that Seagate's contacts with Rodime's potential licensees, as well as the meetings organized by Seagate, gave rise to an inference that Seagate's activity was anticompetitive and may have violated the antitrust laws. The Federal Circuit also noted that the misleading statements made by Mr. Talsoe and Seagate to the PTO similarly provided a genuine issue of fact about the wrongfulness of Seagate's conduct. The *Noerr-Pennington* doctrine did not insulate Seagate's contacts with its competitors because the doctrine does not protect otherwise unlawful conduct and only protects against efforts to petition the government.

The Federal Circuit also ruled that a patent law cause of action for inducement to infringe does not preempt claims of tortious interference and unfair competition. According to the Court, the elements of proof for inducement are markedly different from those for tortious interference and unfair competition. For example, inducement does not require proof that the underlying acts are "wrongful" by some measure other than the fact of the inducement itself. Also, inducement requires no proof that the alleged infringer's business practice is immoral or oppressive, or the like, as with an unfair competition claim. Nor did these state-law claims constitute an impermissible attempt to offer patent-like protection to subject matter addressed by federal law. As a result, the Federal Circuit vacated and remanded the judgment of no liability for Rodime's state-law claims.

Finally, the Court affirmed an exclusion of evidence relating to “consequential business damages.” The district court had precluded Rodime from showing that Seagate’s refusal to take a license under Rodime’s patent had deprived Rodime of an income stream sufficient to enable it to have avoided declaring bankruptcy. Rodime had pressed for these damages in addition to royalty revenues. The Federal Circuit acknowledged that Rodime’s situation may have some influence on the computation of a reasonable royalty based on a hypothetical negotiation, but found no abuse of discretion in the district court’s having excluded the evidence as consequential damages when Rodime had previously foregone lost profits as a measure of damages.

## Practitioner Violates Duty of Candor

*York M. Faulkner*

**[Judges: Archer (author), Bryson, and Newman (dissenting)]**

In *Lipman v. Dickinson*, 96-1548 (Fed. Cir. Apr. 20, 1999), the Federal Circuit affirmed the district court’s grant of summary judgment (“SJ”) to the Commissioner of Patents and Trademarks (“Commissioner”) holding that substantial evidence supported the Commissioner’s finding that Steven Lipman had violated his duty of candor to the U.S. Patent and Trademark Office (“PTO”).

Lipman represented Ronald Wallace in an appeal to the Commissioner from a decision of the Office of Enrollment and Discipline (“OED”) denying Wallace’s application for registration to practice before the PTO. The OED had denied Wallace’s application despite the submission of seventeen letters and affidavits attesting to his character and reputation, including four key affidavits from attorneys at the law firm of Vinson & Elkins (“V&E”), where Wallace had worked.

In late April 1990, Lipman had prepared a draft petition to the Commissioner appealing the OED decision, which was due for filing on May 7, 1990, and had forwarded a copy to Wallace for his review. In the meantime, Lipman received a sixteen-page letter from V&E informing him that the affiants had changed their opinions of Wallace and that he could not use their affidavits. In light of the V&E letter, Lipman modified the draft petition by removing all references to the V&E attorneys by name and all quotations from their affidavits. The petition, however, still referred to and relied upon seventeen affidavits and letters in support of Wallace.

After filing the petition and consulting with Wallace, Lipman sent a twenty-eight page letter to

V&E describing Wallace’s version of the events cited in the V&E letter. V&E did not respond quickly, but instead, unknown to Lipman, sent a letter directly to the PTO expressing that the V&E affiants had withdrawn their affidavits in support of Wallace. Later, V&E responded to Lipman’s letter. On July 30, 1990, Lipman wrote to Wallace informing him that, based on V&E’s response, they must tell the PTO that the affidavits had been withdrawn. Lipman then prepared a supplemental appeal petition, but before he filed it, the OED opened an investigation into his actions based upon the information received from V&E.

In September 1991, the OED charged Lipman with violating his duty of candor by misrepresenting the number of valid affidavits submitted on behalf of Wallace. On April 28, 1994, following a full hearing, an Administrative Law Judge (“ALJ”) concluded that Lipman had violated his duty of candor and recommended a public reprimand. Lipman appealed the ALJ’s decision to the Commissioner who, on March 27, 1995, adopted both the factual findings and recommended sanction. Lipman sought review in the District Court for the District of Columbia, which found that the Commissioner’s decision was supported by substantial evidence and that the chosen sanction was not an abuse of discretion. Lipman then appealed to the Federal Circuit.

The Federal Circuit found that evidence, such as Lipman’s own testimony that he had wished to avoid raising a red flag about the decrease in the number of affidavits from seventeen to thirteen, demonstrated his subjective intent to mislead the PTO for at least some indefinite period of time. The Federal Circuit was unpersuaded by Lipman’s argument that he had a duty to investigate the allegations raised in the April 27, 1990, V&E letter about Wallace, because the accuracy of the allegations was irrelevant to Lipman’s knowledge that V&E had withdrawn their affidavits.

The Federal Circuit rejected Lipman’s argument that his duty to his client conflicted with his duty of candor, because correcting the number of affidavits cited in the petition did not require the disclosure of client confidences. Finally, the Federal Circuit explained that the Commissioner properly considered the evidence of Lipman’s efforts to cure the misrepresentation as a reason for the lenient sanction imposed, a public reprimand.

Judge Newman dissented, stating her belief that Lipman had acted reasonably by waiting to investigate and confirm V&E’s withdrawal of its affidavits before informing the PTO. Judge Newman cited evidence that Lipman had prepared documents withdrawing the affidavits only eleven weeks after the petition was filed, which, in her opinion, demonstrated an absence of any deliberate, calcu-



lated deception. Finally, Judge Newman quoted at length from seven affidavits in support of Lipman by practitioners, including former PTO Commissioners, who urged that Lipman had acted reasonably under the circumstances.

## Court “Sees Through” Implied Licensee Theory on Window Frame Patent

John Yim

**[Judges: Rich (author), Newman, and Clevenger]**

The Federal Circuit, in *Glass Equipment Development, Inc. v. Besten, Inc.*, No. 96-1467 (Fed. Cir. Apr. 5, 1999), reversed the district court’s grant of summary judgment (“SJ”) that Besten, Inc. (“Besten”) was not liable for inducing infringement of Glass Equipment Development, Inc.’s (“GED”) U.S. Patent No. 4,628,582 (“the ‘582 patent”) and affirmed the SJ dismissing Besten’s antitrust counterclaim.

The underlying inventions concerned “spacer frames” used for manufacturing thermally insulating glass windows. In addition to the ‘582 patent for making spacer frame assemblies, GED also owns U.S. Patent No. 4,530,195 (“the ‘195 apparatus patent”), which recites spacer frame components. GED had licensed the ‘195 apparatus patent to Allmetal Inc. (“Allmetal”) to make various spacer frame components. Simonton Windows Co. (“Simonton”), a manufacturer of insulated glass windows, bought these components from Allmetal and made spacer frames.

In 1988, Simonton purchased a machine from Besten for making spacer frames. Prior to buying the machine, Simonton had used a method that did not infringe the ‘582 method patent. In 1993, GED sued Simonton for infringement of the ‘582 method patent and Besten for inducing infringement. Simonton eventually settled with GED and was not a party to the appeal, but Besten defended by arguing that Simonton had an implied license to practice the claimed method because there were no noninfringing methods of using the components bought from GED’s licensee, Allmetal.

The district court agreed with GED, concluding that there were no noninfringing uses because the patented method was the most profitable manufacturing method of using components sold by Allmetal as of September 1995.

The Federal Circuit reversed the SJ finding that the district court had improperly limited its analysis of the existence of noninfringing uses to the time of the final SJ hearing and had used an overly restrictive profitability or commercial viability requirement

in assessing noninfringing uses. The Court reiterated that a legally acceptable noninfringing use need not be as profitable as the patented method; it need only be reasonable. Since Besten had not met its burden of showing no noninfringing methods, the Court ruled that Simonton did not have an implied license to practice the invention claimed in the ‘582 patent.

Finally, the Federal Circuit affirmed the dismissal of Besten’s antitrust counterclaim because Besten did not allege that the ‘582 patent had been obtained through knowing and willful fraud or that GED’s actual or threatened suits were sham litigations. Thus, even assuming all of Besten’s relevant allegations were otherwise true, the Court concluded, GED could not have had any antitrust liability.

## Parties Agreement on Step-Plus-Function Interpretation Supports Infringement Finding

William L. Strauss

**[Judges: Newman, Rader, and Bryson (per curiam)]**

In *Seal-Flex, Inc. v. Athletic Track & Court Construction*, No. 98-1432 (Fed. Cir. Apr. 1, 1999), the Federal Circuit affirmed a district court’s finding of literal infringement and upheld the district court’s order awarding attorney fees to the Plaintiff and dismissing the Defendant’s affirmative defenses and counterclaims as a sanction for Defendant’s abuse of the discovery process.

Seal-Flex, Inc. (“Seal-Flex”) sued Athletic Track and Court Construction (“AT&CC”) for infringement of U.S. Patent Nos. 4,474,833 (“the ‘833 patent”) and 4,529,622 (“the ‘622 patent”). AT&CC asserted defenses of patent invalidity under 35 U.S.C. §§ 102(b) and 103 and counterclaimed that Seal-Flex had engaged in unfair competition and antitrust violations.

Seal-Flex’s patents relate to methods for constructing an all-weather activity mat on a foundation. The resulting structures, which consist of layers of particulate rubber bound together with latex, are often used as running tracks. The appeal involves only the ‘622 patent, which claims a method including a first step of spreading an adhesive tack coating for adhering the mat to the foundation over the foundation surface. The parties had agreed that this element involved the application of 35 U.S.C. § 112, ¶ 6. The specification of the ‘622 patent lists a number of suitable tack coatings and indicates that other materials can serve as tack coatings if they cause the mat to adhere to the foundation.

The infringement dispute focused on whether latex satisfied the adhesive tack coating limitation of the '622 patent. The district court had instructed the jury that to find literal infringement, it must find that AT&CC had used a material to perform the identical function and that the material used to perform that function had been the same as or equivalent to the materials disclosed as adhesive tack coatings by the '622 patent specification.

The jury found that AT&CC had literally infringed the claims of the '622 patent. Moreover, prior to the start of the trial on damages and AT&CC's counterclaims, the district court granted Seal-Flex's motion for sanctions for AT&CC's failure to comply with its district court's discovery order, sanctioning AT&CC and its attorney to pay Seal-Flex \$20,000 in attorney fees. The parties then stipulated to a damages award.

Because neither party challenged the district court's application of 35 U.S.C. § 112, ¶ 6 to the limitation in question, the Federal Circuit ruled that the only question relevant to the issue of literal infringement was whether substantial evidence supported the jury's finding of equivalence between latex and the materials disclosed for performing the adhering function in the '622 patent. Finding that the trial record showed that latex was insubstantially different from the adhesive tack coatings described in the specification and that the prosecution history showed that the Applicant had intended to cover a broad range of adhesive tack coatings, the Federal Circuit upheld the jury's verdict of literal infringement.

In a concurring opinion, Judge Rader first argued that the Federal Circuit was obligated to review the district court's claim interpretation, notwithstanding that both parties had agreed to that interpretation. Judge Rader, after an extensive analysis, concluded that the relevant language in the '622 patent was not a means-plus-function element. He concurred in the opinion, however, because the claim term "adhesive tack coating" would have enjoyed a broader application outside the limiting strictures of § 112, ¶ 6, and the district court's error, therefore, was harmless.

Finally, the Federal Circuit affirmed the district court's imposition of monetary sanctions as well as its dismissal of AT&CC's counterclaims and affirmative defenses. Applying the Sixth Circuit's abuse of discretion standard, that the sanction must be specifically related to the particular claim at issue in the order, the Federal Circuit agreed that AT&CC had withheld documents that were relevant to the dismissed counterclaims and affirmative defenses, rendering the sanctions appropriate.

## Covenant Not to Sue "Cools Off" Dispute over Oven Technology

Lara C. Kelley

[Judges: Mayer (author), Archer, and Lourie]

In *Amana Refrigeration, Inc. v. Quadlux, Inc.*, No. 98-1200 (Fed. Cir. Apr. 5, 1999), the Federal Circuit affirmed a district court's decision dismissing a declaratory judgment ("DJ") action for invalidity of a patent as moot in light of a covenant not to sue, and dismissing damages claims for defamation and trade libel for lack of personal jurisdiction.

Quadlux, Inc. ("Quadlux") owns U.S. Patent No. 5,517,005 ("the '005 patent") directed to a cooking apparatus that uses both visible and infrared light to achieve the speed of a microwave oven and the results of a conventional oven. Several years prior to this dispute, the parties discussed licensing the oven technology to Amana Refrigeration, Inc. ("Amana"). After licensing negotiations with Quadlux had broken down, Amana began marketing its own oven that used visible and infrared light to cook food. Quadlux then sent a warning letter to Amana and also terminated licensing relationships with three out-of-state distributors that did business with Amana.

Amana sued Quadlux in the U.S. District Court for the Northern District of Iowa, seeking DJs of patent invalidity and noninfringement and damages for defamation and trade libel. In response, Quadlux filed a covenant not to assert any infringement claim against Amana under the '005 patent with respect to any of Amana's products advertised, manufactured, marketed, or sold prior to the date of the declaration. The district court dismissed all of Amana's claims.

On appeal, the Federal Circuit agreed with the district court that no actual controversy existed with respect to the patent issue in light of Quadlux's declaration not to assert any infringement claim against Amana under its patent. The Court ruled that although an actual controversy may have been present at the time Amana filed its complaint, an actual controversy did not survive Quadlux's covenant not to sue. Moreover, according to the Court, speculation over possible controversy concerning Amana's future products was inadequate to support present DJ jurisdiction.

With respect to the state law claims for defamation and trade libel, the Federal Circuit agreed that, as a matter of Eighth Circuit law, the district court did not have personal jurisdiction over Quadlux. Because there had been no actual patent

controversy, the state law claims were not intimately tied to enforcement of a substantive patent right, and therefore, Federal Circuit law need not be applied to determine personal jurisdiction. Using the Eighth Circuit's due process analysis, the Court agreed that Amana's claims of defamation and trade libel arose in states other than Iowa and that Quadlux's contacts with Iowa were too limited to permit an Iowa court to exercise personal jurisdiction over Quadlux.

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## Corporate President Liable for Attorney Fees

Vince Kovalick

**[Judges: Michel (author), Plager, and Newman (dissenting)]**

In *Ohio Cellular Products Corp. v. Adams USA, Inc.*, No. 98-1448 (Fed. Cir. Apr. 26, 1999), the Federal Circuit affirmed a decision of the district court to add Donald E. Nelson, president and sole stockholder of Ohio Cellular Products Corp. ("Ohio Cellular") as a third party Defendant and to amend an earlier judgment awarding attorney fees to include Nelson as an additional liable party.

Several years ago the Federal Circuit affirmed a decision by the U.S. District Court for the Northern District of Ohio invalidating two Ohio Cellular patents. Thereafter, the district court granted Defendants motion for attorney fees and costs on the basis that the applicant for those patents had permitted inequitable conduct. The evidence had shown that Nelson had withheld material prior art with the intent to deceive.

The parties then attempted to negotiate the amount of the attorney fees. In doing so, Ohio Cellular's counsel wrote to Defendants counsel indicating that if the attorney fees award were to exceed a very limited amount, then Defendants would not collect because the company would be liquidated. The district court ultimately awarded the Defendants almost \$200,000 in attorney fees. Defendants sought to add Nelson as a third party Defendant to subject him to individual liability for the fees, assuming that they would be unable to collect if only Ohio Cellular were to remain liable.

On appeal, Nelson argued that because he was not held liable individually on the merits of the motion for attorney fees, he could not be held responsible for paying the fee award. The Federal Circuit pointed out that Nelson had personally committed the acts of inequitable conduct that were the basis for the fee award and, as sole shareholder and president, Nelson had controlled and supervised the litigation.

The Federal Circuit determined that this issue was governed by Fed. R. Civ. P. 15 and focused on the undue prejudice against Nelson if he were now added. The Court agreed that Nelson had complete notice throughout the litigation that he might be liable. He was the motivating force behind instituting the lawsuit, and he was involved in the litigation from the outset and throughout. No undue prejudice having been shown, the Federal Circuit affirmed the district court's judgment.

Finding the district court's unusual procedure unprecedented and believing that Mr. Nelson had no opportunity to contest the issue of his personal liability for inequitable conduct as an inventor, Judge Newman dissented.

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## Infringement Finding "Took Right Direction" on Steering Control Patent

Vince Kovalick

**[Judges: Clevenger (author), Mayer, and Gajarsa]**

In *Johnson Worldwide Associates, Inc. v. Zebco Corp.*, No. 98-1331 (Fed. Cir. Apr. 27, 1999), the Federal Circuit affirmed a summary judgment of infringement of U.S. Patent No. 5,202,835 ("the '835 patent") that is generally directed to a steering control apparatus for small outboard motors.

Johnson Worldwide Associates, Inc. ("Johnson") owns the '835 patent. Zebco Corp. and Brunswick Corp. (collectively "Zebco") sell a product under the trade name "AutoGuide" that maintains directional control of a trolling motor using a magnetometer located in a foot pedal. The asserted claim defines "a heading detector electrically coupled to said steering circuit." The location of the magnetometer in the foot pedal of the AutoGuide is distinct from the location of the heading detector ("compass") depicted in the preferred embodiment of the '835 patent.

Zebco argued that the '835 patent covers only trolling motor autopilot systems that include a compass or other directional indicator physically attached to the trolling motor because the invention is concerned with the direction and orientation of the trolling motor, not the boat, and the heading detector must be physically attached to the trolling motor. Although Zebco recognized that claim 1 does not explicitly require that the heading detector be mechanically coupled to the trolling motor, Zebco nonetheless argued that a proper claim interpretation of the term "heading signal coupled" in claim 1 compels such limited claim scope. Zebco observed that the drawings and the specification

show a compass mechanically attached to the trolling motor.

The Federal Circuit rejected Zebco's arguments, finding references to the term "heading" at various points in the written description to refer to both the direction of the trolling motor and the boat. The Court further found that comments in the prosecution history relied on by Zebco related to other claims that expressly included limitations that define the relationship of the compass to the trolling motor. The Federal Circuit also agreed that Zebco had failed to show a sufficient reason to alter the clear meaning of the term "coupled," agreeing that the term is not limited to a mechanical or physical coupling.

The Court further agreed that the patent disclosure provided ample support for the merits of the term "heading," such that the relevant claims of the '835 patent, as construed, were not invalid under 35 U.S.C. § 12, ¶ 1. Finally, this finding also formed the basis for the Court's rejection of Zebco's position that the claims, if construed broadly enough to cover the accused device, were not entitled to the earliest filing date, and hence were invalid as having been on sale under 35 U.S.C. § 102(b).

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## Change from Prejudgment to Postjudgment Interest Reduces Damages Award

Vince Kovalick

[Judges: Lourie (author), Michel, and Gajarsa (dissenting)]

The Federal Circuit, in *Transmatic, Inc. v. Gulton Industries, Inc.*, No. 98-1385 (Fed. Cir. Apr. 29, 1999), vacated a judgment awarding interest from an initial judgment date to a remand judgment date at a prejudgment rate, concluding instead that such interest should have been awarded at a post-judgment interest rate.

The Federal Circuit concluded that determining the correct dividing line for calculating prejudgment and postjudgment interest was not unique to patent law, but was specifically controlled by Sixth Circuit law. Although Sixth Circuit precedent had at one time followed an "equities" approach, it now relied on Supreme Court precedent interpreting 28 U.S.C. § 1961(a). *Kaiser Aluminum & Chem. Corp. v. Bonjorno*, 494 U.S. 827 (1990). In *Kaiser*, the Supreme Court held that, regardless of the equities, it would not award a higher postjudgment interest rate than that afforded by § 1961 wherein Congress had made the legislative determination as to the applicable interest rate. Thus, the Federal Circuit concluded that the district court had erred

in determining that interest in the interim should be calculated at the prejudgment rate.

Dissenting, Judge Gajarsa concluded that the issue was controlled by 35 U.S.C. § 284, such that Federal Circuit law applied. He also concluded that the operative judgment date under 35 U.S.C. § 284 should be the judgment date of the second determination of damages by the district court, not the earlier date that the Federal Circuit had vacated.

## Board Falls into "Hindsight Trap"

Vince Kovalick

[Judges: Clevenger (author), Mayer, and Michel]

In *In re Dembiczak*, No. 98-1498 (Fed. Cir. Apr. 28, 1999), the Federal Circuit reversed a decision by the U.S. Patent and Trademark Office ("PTO") Board of Patent Appeals and Interferences ("Board") finding that the Board had erred in sustaining rejections of the pending claims as being obvious and for obviousness-type double-patenting.

The invention at issue concerns a large trash bag made of orange plastic and decorated to look like a Halloween jack-o'-lantern when filled with trash or leaves. More than seven million trash bags were sold in 1990 alone.

During an extended prosecution history, Applicants had filed several continuations and appealed several adverse decisions to the Board. All claims on appeal required that the bag be premanufactured orange in color, that it have "facial indicia," and openings suitable for filling with trash material, and that when filled, it present a generally rounded appearance like a pumpkin.

The Federal Circuit, emphasizing the tempting but forbidden attraction of hindsight-based obviousness analysis, concluded that the Board had fallen into the "hindsight trap." The Court concluded that the Board did not make particular findings regarding the locus of the suggestion, teaching, or motivation to combine the six prior art references it had relied on. Moreover, the Board had made no finding concerning the identification of the relevant art, the level of ordinary skill in the art, the nature of the problem to be solved, or any factual findings that might serve to support a proper obviousness analysis. Instead, the Board simply discussed ways that the multiple prior art references could be combined to read on the claimed invention. Although the Commissioner attempted, in its briefs, to fill the holes in the Board's analysis, the Federal Circuit declined to consider these new arguments.

In reversing the Board's obviousness-type double-patenting rejection, the Court noted that for a design to be unpatentable because of obviousness, there first must be a basic design reference in

the prior art with design characteristics that are basically the same as the claimed design. The Court concluded that the position adopted by the Board—that a textual description of facial indicia found in the claims of the utility patent application makes obvious the specific designs claimed in the design patent—would presumably render obvious, or even anticipate, all design patents where a face was depicted on a bag. This, the Court ruled, is not the law. Thus, the Court also reversed the Board's double-patenting rejections.

## "Clarifying" Order Proves Confusing

Vince Kovalick

[Judges: Rader (author), Michel, and Lourie]

The Federal Circuit, in *TransLogic Corp. v. Tele Engineering, Inc.*, No. 98-1392 (Fed. Cir. Apr. 30, 1999), vacated a district court finding of patent invalidity after the district court had reinstated a jury verdict of invalidity and held that it did not have authority to grant a motion for a new trial after a prior Federal Circuit opinion and clarification order on interlocutory appeal. The Federal Circuit concluded that its previous decision had not ruled the patent invalid as a matter of law, but only discerned substantial evidence to support the jury verdict of invalidity. Moreover, the district court had not resolved the motion for a new trial. Thus, the Federal Circuit vacated and remanded.

The TransLogic Corp. ("TransLogic") patent covers a computer controlled, track-mounted carriage system used to move materials between locations. A jury found the patent invalid for obviousness. The district court, however, granted a motion for judgment as a matter of law ("JMOL") that the patent was valid. Also, citing improper statements to the jury during Tele Engineering, Inc.'s ("Tele Engineering") closing argument, the trial court granted TransLogic's motion for a new trial on the question of damages and willfulness. On a previous appeal, the Federal Circuit had reversed the district court's JMOL and ordered reinstatement of the jury verdict. The district court interpreted the Federal Circuit's opinion and clarification order to state that the claims were valid as a matter of law and concluded that it lacked the authority to grant TransLogic a new trial on validity.

The Federal Circuit ruled that the district court was understandably confused by the previous clarifying order and held that the district court is not precluded from granting a new trial on the issue of validity. Accordingly, the Federal Circuit vacated

the district court's judgment and remanded for a ruling on TransLogic's motion for a new trial on the issue of validity.

## Uncovered Camera Opening Infringes "Lens Window Means" Under Doctrine of Equivalent

E. Chris Cherry

[Judges: Rich (author), Archer, and Rader]

In *Ultrak, Inc. v. Radio Engineering Industries, Inc.*, No. 97-1523 (Fed. Cir. Apr. 8, 1999) (non-precedential decision), the Federal Circuit affirmed a district court's denial of Radio Engineering Industries, Inc.'s ("REI") motion for judgment as a matter of law ("JMOL") after a jury found that REI had infringed Ultrak, Inc.'s ("Ultrak") patent.

Ultrak sued REI for infringement of its U.S. Patent No. 5,319,394 ("the '394 patent"), which is directed to a video surveillance system for buses. The relevant elements of the asserted claims require a camera housing means having a "lens window means," and a "power means" for energizing certain indicator light means and a video tape recording system.

A jury had found infringement, awarding \$220,000 in damages, but declined to find the infringement willful.

The Federal Circuit agreed that the structure corresponding to the "power means" included wiring and other electrical components necessary to transmit power, not just a bus battery as REI had argued. The Federal Circuit reasoned that although the written description distinguishes between the power source and wiring, it describes the wiring scheme as "supplying power." The structure associated with the specific functions addressed in the claim language also speaks of wiring and not of a power source, the Court concluded.

As to the "lens window means" limitation, the Federal Circuit agreed with the district court's interpretation that "lens window means" includes "an opening covered with glass or plastic or other translucent or transparent material." Because REI's systems do not include such a covering, the Court agreed with the finding of no literal infringement.

Under the doctrine of equivalents ("DOE"), however, the Federal Circuit agreed that the uncovered opening in REI's housing is equivalent to the "lens window means" of the '394 patent. The Court rejected REI's argument that because the opening of its housing does not contain a covering apart from the camera lens, it cannot infringe under

the DOE, pointing out that the limitation recites a “lens window means,” not a covering. In determining the function of the “lens window means” under the DOE, the Federal Circuit noted that the only function discussed in the written description for the “lens window means” involves allowing light to pass through the opening so that the camera can function. The Federal Circuit determined that substantial evidence had been presented to the jury that the uncovered opening of the REI device performed the function of allowing light to pass through it, achieving the same result as that of the claimed lens window means.

The Federal Circuit also rejected Ultrak’s assertion that REI’s infringement had been willful. Ultrak argued that REI’s expert had rendered an incompetent opinion of noninfringement in view of the “ordinary” definition of “window” that is defined as an opening for the admission of air and light. The Court rejected this argument, finding that although the opinion of REI’s expert was incorrect, it nevertheless was competent.

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## Inadequate Testing Evidence Dooms Junior Party in Interference

*Lawrence F. Galvin*

**[Judges: Michel (author), Plager, and Schall]**

In *Cavanagh v. McMahon*, No. 98-1304 (Fed. Cir. Apr. 7, 1999) (nonprecedential decision), the Federal Circuit affirmed a decision of the United States Patent and Trademark Office’s Board of Patent Appeals and Interferences (“Board”) awarding priority to the senior party in an interference relating to sonar transducer technologies. The Court based its decision on the junior party’s failure to prove actual reduction to practice (“ARTP”) prior to the senior party’s filing date.

Garfield W. McMahon and Dennis F. Jones (collectively “McMahon”) invented a new electro-acoustic transducer used to generate acoustic waves in water (*i.e.*, a sonar transducer). They then publicly disclosed certain details of their invention at a November 1987 meeting of the Acoustical Society of America (“the ASA meeting”). Just prior to the 35 U.S.C. §102(b) statutory bar date, McMahon had filed a patent application that matured into U.S. Patent No. 4,922,470 (“the ‘470 patent”).

George H. Cavanagh III, provoked an interference between his own patent application Serial No. 07/451,931 (“the ‘931 application”) and the ‘470 patent. An Administrative Patent Judge (“APJ”) declared a single count interference based on junior party Cavanagh’s prima facie case of ARTP prior to senior party McMahon’s filing date.

McMahon filed a preliminary motion for judgment against Cavanagh on the grounds of unpatentability over alleged disclosures at the ASA meeting, which the APJ granted. At a later patentability hearing, the Board reversed the APJ’s decision, ruling that McMahon’s disclosure did not anticipate or render obvious the invention of Cavanagh’s application. At a subsequent priority hearing, however, the Board concluded that Cavanagh had failed to prove ARTP prior to McMahon’s filing date by a preponderance of the evidence and, therefore, awarded priority to McMahon. In response, Cavanagh appealed the priority award and McMahon cross appealed the patentability ruling.

On appeal, the Federal Circuit reviewed the Board’s three underlying factual determinations for clear error. First, the Court agreed with the Board that a junior party’s meeting the ARTP prima facie standard for purposes of declaring an interference does not necessarily satisfy the ARTP preponderance of the evidence standard required in the interference proceeding itself, even if the senior party fails to present rebuttal evidence. Second, the Court concurred with the Board that Cavanagh’s evidence of testing was inadequate because this evidence failed to: (1) describe how the test conditions modeled the intended working environment, (2) explain the meaning of the test data generated, and (3) show that the testing was successful. The Court also echoed the Board’s conclusion that ARTP mandates an inventor’s recognition and appreciation of the success of any required testing at the time of ARTP.

Finding a failure to prove that the testing had been successful and recognized as such at the time, the Federal Circuit held that Cavanagh had failed to prove ARTP by a preponderance of the evidence. Because this holding prevented Cavanagh from establishing priority, the Court dismissed McMahon’s cross appeal as moot. Thus, the Federal Circuit affirmed the Board’s award of priority to McMahon.

## Contempt Sanctions Not “Civil” Enough

*David P. Frazier*

**[Judges: Plager (author), Mayer, and Rich]**

In *RMT, Inc. v. Bhat Industries, Inc.*, No. 98-1272 (Fed Cir. Apr. 5, 1999) (nonprecedential decision), the Federal Circuit affirmed a district court’s decision holding Bhat Industries, Inc., and two other Defendants (“collectively Bhat”) in contempt for violating a final consent judgment. The Federal Circuit vacated the lower court’s sanction order,

however, and remanded the case with instructions to make the sanction less punitive.

Bhat had agreed to the contested consent judgment to settle a patent infringement suit brought by RMT, Inc. ("RMT"). The judgment permanently enjoined Bhat from selling a particular "Product" defined by the parties, but allowed it to sell a "Royalty Product" for three years, contingent upon payment of royalties to RMT. The judgment also defined conditions for auditing the royalties owed and contained a provision requiring Bhat to disclose sales of any "New Products" differing from the royalty product.

RMT had brought a contempt action against Bhat, alleging that it had violated the consent judgment by refusing to approve an auditor selected by RMT. RMT had also alleged that Bhat had violated provisions of the order relating to the required disclosure of "New Products." The district court had found Bhat in violation of the consent order for failing to approve the auditor and for selling "illegal" new products. It ordered sanctions, including a permanent injunction of all Bhat products other than the royalty product for the life of RMT's patent.

Applying Seventh Circuit law on appeal, the Federal Circuit quickly disposed of Bhat's claim that the district court had improperly adopted RMT's proposed findings of fact and conclusions of law. The Federal Circuit also affirmed the lower court's finding that the agreement term "New Product" encompassed any Bhat product differing from the defined "Royalty Product" and that the order, therefore, required disclosure to RMT whether or not the product was literally "new." In addition, the Federal Circuit held that the district court had not erred by finding Bhat in violation of the consent order for refusing to approve RMT's selected auditors because the independent accounting firm had agreed to maintain confidentiality.

Although it agreed that Bhat was properly found in contempt for violating the consent order, the Federal Circuit reversed the district court's order of sanctions. The Court held that the purpose of civil contempt sanctions is not to punish, but to coerce compliance with the court order or compensate the other party for the violation. The lower court's sanction was improperly punitive because it enjoined Bhat from further sales of any nonroyalty products even after Bhat had complied with the consent order. Thus, the Federal Circuit remanded the lower court's sanction order for modification of the imposed injunction.

## Fabric Patent "Frayed"

Robert A. Pollock

[Judges: Mayer (author), Michel, and Clevenger]

In *Gates Formed-Fibre Prods., Inc. v. Delaware Valley Corp.*, No. 98-1397 (Fed. Cir. Apr. 13, 1999) (nonprecedential decision), the Federal Circuit affirmed the District Court's denial of Gates's motion for judgment as a matter of law ("JMOL"), which sought to overturn a jury's determination that Gates's U.S. Patent Nos. 5,199,141 ("the '141 patent") and 5,077,874 ("the '874 patent") were invalid.

The '141 patent claimed a fabric having an outer surface substantially free of low-melt fibers and a web portion having a plurality of weld joints between low-melt and high-melt fibers proximate to a back surface. The '874 patent claimed a corresponding process for making the fabric.

At trial, the jury found that patents to Smith and Uchida each anticipated the '141 patent. Gates, however, maintained that neither reference taught the claim element of "thermal migration," *i.e.*, a fabric whose characteristics are obtained by the differential action of heat on high- and low-melting fibers.

Looking to the text of Smith and Uchida, the Federal Circuit pointed to language teaching differential melting and subsequent bonding of high- and low-melt fibers. The Court also noted that the jury had heard expert testimony stating that both references teach that heat can move low-melt fibers towards the back of fabric. Upon this record, the Court found sufficient factual evidence to find the '141 patent anticipated.

Moving to the obviousness determination of the '874 patent, the Court noted that the jury had found no less than eight references teaching the use of heat to move low-melt fibers causing them to bond with high-melt fibers. The jury had heard expert testimony that those of ordinary skill in the art would understand that heat treatment would produce fabric in the same manner as the '874 patent. Thus, the Court affirmed.

The Court then briefly examined Gates's position that secondary considerations should rebut the evidence of obviousness. Because the record showed that Gates held a small market share and produced little to no profits and that Gates's patents were not copied, the Court dismissed any reliance on secondary factors.

Having found substantial evidence from which a reasonable person could have found both patents invalid; the Court held that the district court was correct in refusing to grant Gates's motion for JMOL.

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## Cross License Does Not Obligate Successor to License Own Patents

*Kevin W. McCabe*

**[Judges: Newman, Schall, and Bryson (dissenting)(per curiam)]**

In *Advanced Micro Devices, Inc. v. Altera Corp.*, No. 98-1090 (Fed. Cir. Apr. 7, 1999)(nonprecedential decision), the Federal Circuit reversed a district court's decision that a cross-license agreement granted to the Defendant a license to the Plaintiff's patents, but affirmed the district court's decision that the agreement granted the Plaintiff a license to the Defendant's patents.

In 1987, Altera Corp. ("Altera") and Monolithic Memories, Inc. ("MMI") entered into a cross-licensing agreement ("the Agreement") concerning patent applications and patents covering programmable and reprogrammable logic devices. Article III, § 2 of the Agreement provides that a successor to the entire business of either company could succeed to the Agreement if it agreed in writing to become bound by the Agreement. Later in 1987, Advanced Micro Devices, Inc. ("AMD") acquired MMI and its entire business, and in 1988, merged MMI into AMD. AMD's general counsel then wrote to Altera notifying Altera that AMD was succeeding to MMI's rights and obligations under the Agreement and was agreeing to be bound by the terms of the Agreement.

In 1995, AMD sued Altera asserting infringement of eight AMD patents, none of which had been acquired by AMD in the merger with MMI. Altera raised the defense of license, based on the Agreement. The district court found that the phrase "agree in writing to become bound by this Agreement" in Article III, § 2 of the Agreement was reasonably susceptible to more than one meaning and presented the issue to the jury. After hearing

evidence of the intentions of the parties, the jury found that AMD, by agreeing to become bound by the Agreement, had become obligated to license Altera its own patents on inventions in the field of the Agreement.

On appeal, AMD argued that no reasonable interpretation of the Agreement would include the AMD patents which had not been acquired from MMI. AMD further argued that by agreeing to be bound by the Agreement, it did not add AMD's own, preexisting patents to the cross license.

The Federal Circuit, finding the language of Article III, § 2 unambiguous and reasonably susceptible to only one interpretation, held that the district court had erred as a matter of law in admitting the extrinsic evidence presented by Altera. The Court reversed the district court's judgment, ruling that AMD patents were not licensed to Altera. As to Altera's patents, the Federal Circuit affirmed the district court's ruling that AMD had acquired MMI's rights to them under the Agreement, and that Altera could not withdraw its license.

Judge Bryson dissented, finding that the license Agreement was meant to extend to any patents of a successor company falling within the scope of the Agreement if the successor company agreed to be bound by the Agreement.

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