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# The Federal Circuit



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## Failure to Disclose Method of Making Starting Material for Cipro® Is Not a Violation of Best-Mode Requirement

Michelle E. O'Brien

[Judges: Clevenger (author), Dyk, and Rader (concurring)]

In *Bayer AG v. Schein Pharmaceuticals, Inc.*, No. 01-1286 (Fed. Cir. Aug. 9, 2002), the Federal Circuit affirmed the district court's finding that U.S. Patent No. 4,670,444 and Reexamination Certificate B1 4,670,444 (collectively "the '444 patent") directed to ciprofloxacin were not invalid for failure to disclose the best mode.

Bayer AG and Bayer Corporation (collectively "Bayer") sued Schein Pharmaceuticals, Inc. and several other generic-drug manufacturers (collectively "Schein") under 35 U.S.C. § 271(e)(2) for infringement of the '444 patent, after Defendants filed an ANDA directed to generic versions of ciprofloxacin, i.e., CIPRO®. Schein raised an affirmative defense of invalidity, arguing that the '444 patent could not claim the benefit of priority of the parent application under either 35 U.S.C. §§ 119 or 120 because the parent application was invalid for failure to disclose the best mode.

The application that matured into the '444 patent was filed as a continuation application subsequent to the issuance of four counterpart foreign patents. According to Schein, Bayer should have been precluded from relying on the filing date of the original U.S. application, because it did not contain the inventor's best mode of making the starting material necessary to make ciprofloxacin. If Schein had been successful in this argument, the '444 patent would have been invalid under 35 U.S.C. § 102(d) based on the intervening filing and issuance of the four counterpart foreign patents. However, the district court granted Bayer's motion for SJ, holding that the original U.S. application satisfied the best-mode requirement and, thus, that the parent application was entitled to the benefit of priority under 35 U.S.C. § 120. The court did not address the issue of priority under 35 U.S.C. § 119.

On appeal, the Federal Circuit affirmed the district court's finding that Bayer's original U.S. application for ciprofloxacin adequately disclosed the inventor's best mode.

The Court agreed with the district court's finding that the inventor had an undisclosed preference for making the preferred starting compound, 6-fluoroquinolinic acid ("6-FQA"). Although the application disclosed the general class of compounds used as a starting material, it did not disclose the inventor's preferred method of synthesizing 6-FQA, which included the use of a particular precursor to 6-FQA.

The Court concluded, however, that only if the inventor's stated preference is directed to a claimed element or materially affects the properties of a claimed element, will a best-mode violation invalidate a patent. According to the Court, neither the 6-FQA nor a method for making it were claimed or would materially affect the claimed compound, ciprofloxacin. Accordingly, the inventor's undisclosed preference was not subject to the best-mode disclosure requirement, and as such, the lack thereof did not preclude Bayer from relying on its original U.S. application for priority under 35 U.S.C. § 120 or invalidate the '444 patent under 35 U.S.C. § 102(d).

In a concurring opinion, Judge Rader contended that the Court went too far in setting forth the first step of its test. In his opinion, the only issue to be decided is whether the element that the inventor has expressed a preference for is claimed. In this case, the district court did exactly that, finding that 6-FQA was not claimed and, therefore, was not required to be disclosed beyond enablement. It is not proper for a district court, when construing a claim, to extend the best-mode requirement beyond the claims and consider whether an unclaimed element "materially affects" the properties of the claimed invention. Such "dicta," according to Judge Rader, will only serve to create conflict with other Federal Circuit precedent and to confuse the district courts in their analysis of whether the best-mode disclosure requirement is satisfied.

## Terminal Disclaimer Extended Along with Patent Term

Russell L. Sandidge

[Judges: Rader (author), Gajarsa, and Prost]

In *Bayer AG v. Carlsbad Technology, Inc.*, No. 02-1077 (Fed. Cir. Aug. 14, 2002), the Federal Circuit affirmed the district court's ruling that a terminal disclaimer tied to the expiration date of an earlier patent would automatically extend to a later date pursuant to the Uruguay Round Agreements Act ("URAA"), even though the terminal disclaimer specified an earlier date of expiration.

Bayer AG ("Bayer") owns three patents relating to the antibiotic ciprofloxacin sold under the brand name CIPRO®: U.S. Patent Nos. 4,544,658 ("the Peterson '658 patent"); 4,556,658 ("the Grohe '658 patent"); and 4,670,444 ("the '444 patent").

In December 1991, Bayer filed suit against Barr Laboratories, Inc. ("Barr") for filing an ANDA for ciprofloxacin. Barr alleged that the '444 patent was invalid for, inter alia, obviousness-type double patenting in light of the Peterson and Grohe '658 patents. To counter Barr's double-patenting claim, Bayer filed a terminal disclaimer with the PTO that disclaimed the terminal part of the '444 patent that extends

beyond October 1, 2002, the earlier of the expiration dates of the Peterson and Grohe patents. The April 21, 1992, issue of the PTO's Official Gazette carried a notice stating that the term of this patent subsequent to October 1, 2002, has been disclaimed.

In 1994, the URAA was passed to harmonize certain provisions of U.S. patent law with that of its leading trading partners. The URAA took effect on June 8, 1995, changing the enforceable term of a patent from seventeen years from the date of issuance to twenty years from the date of filing the patent application. 35 U.S.C. § 154(a)(2). In addition, § 154(c)(1) provides that the enforceable term of a patent issued on an application filed prior to June 8, 1995, shall be "the greater of the 20-year term as provided in subsection (a), or 17 years from grant, subject to any terminal disclaimers."

As a result of the URAA, the expiration date of the Peterson '658 patent was changed from October 1, 2002 (seventeen years from grant) to December 9, 2003 (twenty years from filing). Seeking to similarly extend the enforceable term of the '444 patent, Bayer submitted an amended terminal disclaimer for the '444 patent to provide wording that would disclaim the terminal part extending beyond the earlier of the expiration dates of the full statutory term of the Peterson and Grohe '658 patents. The PTO responded that its rules do not permit amendment of a terminal disclaimer for an issued patent, but instead it treated Bayer's request as a petition under its discretionary authority. The PTO found that the URAA created an ambiguity in the terminal disclaimer Bayer had filed in 1992, because it now contained two different dates: the specific date of October 1, 2002, and the referenced expiration date of the Peterson '658 patent. Because the terminal disclaimer was clearly intended to disclaim any term extending beyond the expiration of the Peterson '658 patent, the PTO held that the office records would be changed to indicate that the '444 patent was disclaimed subsequent to December 9, 2003.

In May 2001, Bayer filed suit against Carlsbad Technology, Inc. ("CTI") based upon CTI's filing of an ANDA for ciprofloxacin. CTI counterclaimed that the '444 patent should expire on October 1, 2002, and asked the district court to reverse the holding of the PTO. The district court granted SJ in favor of Bayer, and CTI appealed. The Federal Circuit held that the district court had properly accorded deference to the PTO's interpretive decision.

CTI's primary argument was that the public should be entitled to rely upon the clear and unambiguous statement in the terminal disclaimer that the '444 patent would expire on October 1, 2002, and any ambiguity in the terminal disclaimer should be resolved in favor of the public. CTI also noted that the PTO had published the specific terminal date of October 1, 2002, in its Official Gazette.

The Federal Circuit was not persuaded by CTI's arguments. Bayer clearly intended to tie the terminal

disclaimer of the '444 patent to the earlier expiration date of the Peterson '658 and Grohe '658 patents. Bayer only included the October 1, 2002, date in the terminal disclaimer because when the disclaimer was filed in 1992, that was the statutory date of expiration of the Peterson '658 patent. Bayer could not have foreseen the pending change in the patent law that would emerge in 1994. In response to CTI's concerns about public notice, the Court observed that Bayer had acted promptly to rectify the ambiguity created by the URAA amendments, filing its petition in July 1995. The PTO's decision on Bayer's petition became a matter of public record on January 31, 1996, more than five years before CTI filed its ANDA and was subsequently sued by Bayer for patent infringement.

Because Bayer clearly intended to tie its terminal disclaimer to the Peterson '658 and Grohe '658 patents, the date of the terminal disclaimer was extended along with the automatic extension of the earlier patents' enforceable terms pursuant to the URAA.

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## Mississippi Farmer "Rounded Up" by Forum-Selection Clause

Geoffrey Mason

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

In *Monsanto Co. v. McFarling*, No. 01-1390 (Fed. Cir. Aug. 23, 2002), the Federal Circuit affirmed the grant of a preliminary injunction against Homan McFarling, prohibiting him from using plant seeds he obtained from crops grown from Monsanto Company's ("Monsanto") patented soybean seed, Roundup Ready®. McFarling originally planted Roundup Ready® seeds under a license from Monsanto called the Technology Agreement ("the Agreement") that prohibited him from saving seeds from a crop for replanting. In violation of the Agreement, McFarling saved seeds from his crops and replanted them.

On appeal, the Court first considered its jurisdiction. The district court had held that it had personal jurisdiction over Mr. McFarling by virtue of a forum-selection clause in the Agreement, specifying that the parties consented to Missouri jurisdiction for all disputes arising under the Agreement. On appeal, the Federal Circuit agreed that the forum-selection clause in question was enforceable and conferred personal jurisdiction over McFarling in Missouri. The Federal Circuit found that forum-selection clauses are valid and enforceable unless they are clearly unreasonable or fraudulent, relying on *Carnival Cruise Lines, Inc. v. Shute*, 499 U.S. 585 (1991).

Monsanto argued that the clause was reasonable for at least four reasons: (1) Monsanto's interest in lit-

igating disputes in its principal place of business; (2) greater judicial efficiency arising from litigating all disputes regarding the Agreement in a single forum; (3) greater uniformity of result; and (4) decreased litigation costs. Against this, McFarling argued that Mississippi was the fairest forum because that was where he purchased, planted, and harvested the seeds in dispute. He also argued that enforcing the provision against him was unfair because he did not purposefully consent to personal jurisdiction in Missouri because he had failed to read the forum-selection clause in the Agreement. The Federal Circuit found the clause enforceable, holding that voluntarily unread contract terms are enforceable and that McFarling failed to demonstrate that the clause was unreasonable.

McFarling also argued on appeal that the district court abused its discretion in granting the preliminary injunction because: (1) the Agreement constitutes an illegal restraint of trade, rendering it unenforceable; (2) the first-sale doctrine prohibits the contractual restraint in the Agreement on producing his own seed; and (3) the Plant Variety Protection Act (“PVPA”) permits McFarling to save Roundup Ready® seed each year. On appeal, the Federal Circuit found that the district court correctly held that McFarling had not shown a reasonable likelihood of success on antitrust/misuse grounds, because the record did not support McFarling’s theory that he is required to buy future patented seed from Monsanto to buy present patented seeds. As to McFarling’s second argument, the Court found that the first-sale doctrine is not implicated by McFarling’s reservation of seed from his crops because the reserved seed was never sold by Monsanto. Finally, the Court found that *J.E.M. Ag Supply v. Pioneer Hi-Bred International, Inc.*, 534 U.S. 124 (2001), squarely held that the PVPA did not provide an exemption for McFarling’s saving seed covered by a utility patent.

Judge Cleverger dissented, arguing that the contract was not sufficiently reasonable to waive fundamental due-process rights under the circumstances.

## District Court Errs in Overlooking Claim Definition in Specification

Scott R. Mosko

[Judges: Cleverger (author), Rader, and Bryson]

In *Jack Guttman, Inc. v. Kopykake Enterprises, Inc.*, No. 02-1251 (Fed. Cir. Aug. 30, 2002), the Federal Circuit reversed the district court’s denial of a preliminary injunction based on an erroneous claim construction.

Kopykake Enterprises, Inc. (“Kopykake”) sold machines for reproducing color photographs onto an edible substrate sheet for placement on a cake. The accused device is a commercial ink-jet printer modi-

fied to use edible ink and attached directly to a commercial scanner.

The district court had construed the phrases “elongated non-tortuous copy path,” “tortuous bends,” and “photocopy machine” in a manner such that Jack Guttman, Inc. (“Guttman”) was unlikely to prove infringement, thereby denying the preliminary injunction motion.

In construing the term “non-tortuous,” the Federal Circuit stated that the specification indicates that a nontortuous path is one that enhances survivability of the edible sheet. The specification continues that while one way to enhance the survivability of the edible sheet is to provide a substantially straight copy path, this claim was not limited to a substantially straight copy path because of the prosecution history. Remarks in the prosecution history concerning an amendment explained that the term “non-tortuous” is intended to cover a copy path that may be curved but is free from any bends that would tend to sacrifice the survivability of the substrate.

Consequently, the Federal Circuit rejected the district court’s definition, instead finding that the correct definition of “non-tortuous copy path” is a path that, while not necessarily straight, has no curves sharp enough to sacrifice the integrity of the edible substrate. A tortuous bend was defined as a bend sufficiently sharp to sacrifice the integrity of the edible substrate.

The district court had assigned the term “photocopy machine” its ordinary meaning, i.e., a standard office photocopy machine. The Federal Circuit concluded, however, that the district court’s construction of photocopy machine was erroneous, stating that while the preferred embodiments described in the specification were all conventional plain-paper photocopy machines, the specification did explain ways in which the invention was broader than the specific embodiments. For example, the specification explains that the scanning and image-reproducing aspects need not be in the same housing but may cooperate to produce the effect of a plain-paper photocopy machine. Thus, the Federal Circuit defined photocopy machine to include not only conventional plain-paper photocopy machines, but also systems with separate scanner and printing capabilities so long as the two parts function cooperatively to produce the effect of a plain-paper photocopy machine. In reaching this construction, the Federal Circuit found that despite the ordinary meaning of photocopy machine, based on the definition of photocopy machine found in the specification, the patentee here had chosen to be his own lexicographer. The Court found that definition to be dispositive and concluded that it was error for the district court to overlook it.

In light of the erroneous construction, the case was remanded to the district court with directions to analyze this matter under the four factors necessary for Plaintiff to show entitlement to a preliminary injunction.

## Inventor Defines “Contiguous” in Prosecution History

Vince Kovalick

[Judges: Bryson (author), Gajarsa, and Dyk]

In *Honeywell Inc. v. Victor Co. of Japan*, No. 01-1436 (Fed. Cir. Aug. 1, 2002), the Federal Circuit reversed a SJ of noninfringement, affirmed the judgment that certain accused chips were licensed, and remanded.

Honeywell Inc. (“Honeywell”) is the owner of U.S. Patent No. 4,425,501 (“the ‘501 patent”), which claims an aperture mask for an autofocus system for use in cameras and videocameras. Honeywell sued Victor Company of Japan, Ltd. and U.S. JVC Corporation (collectively “JVC”), alleging that components in JVC’s videocameras, known as charged-coupled device imaging chips, infringed claims 1 and 2 of the ‘501 patent. JVC moved for SJ of noninfringement and argued that some of the chips were sold to JVC by a licensed supplier, Matsushita Electric Industrial Company, Ltd. (“MEI”).

The infringement issue turned on the construction of the term “contiguous.” Honeywell proposed that “contiguous” should be defined by the definition appearing in the prosecuting history of the application. There, the inventor offered the following definition: “an actual contact; touching; also, near, though not in contact; neighboring, adjoining; next in succession.” The inventor further explained that the two elements would be “contiguous” if they were placed in actual contact or if they were “near, though not in contact.”

The Federal Circuit ruled that the district court had erred in not according more weight to the inventor’s definition. The Court ruled that because the inventor made clear that he intended to invoke the broadest meaning of the term “contiguous,” he should be given that meaning and not just the most common meaning. Accordingly, the Federal Circuit ruled that “contiguous,” as used in the claims, does not require actual contact between elements. The Court then remanded the infringement issue with additional guidance on how to apply this construction to the issue of infringement where the claimed layers may have intervening structure.

As to the license issue, the Federal Circuit concluded that the accused imaging chips fall within the definition of “Products” in the license agreement (“Agreement”) between Honeywell and MEI. Since the Agreement was signed because of a dispute between Honeywell and MEI over the ‘501 and other Honeywell patents, it plainly intended to cover devices within the scope of the ‘501 patent.

## Federal Copyright Law Does Not Preempt Software Shrink-Wrap License

William J. Brogan

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

In *Bowers v. Baystate Technologies, Inc.*, No. 01-1108 (Fed. Cir. Aug. 20, 2002), the Federal Circuit affirmed the jury’s verdict that Baystate Technologies, Inc. (“Baystate”) had breached Harold L. Bowers’s shrink-wrap license agreement (“the Agreement”) but reversed the verdict that Baystate had infringed Bowers’s U.S. Patent No. 4,993,514 (“the ‘514 patent”).

In the mid 1980s, Bowers created a digitizing tablet template (a kind of “smart” mouse pad) and associated software to improve the user interface of computer-aided design (“CAD”) programs. Bowers patented his creation, called Cadjet, and bundled it with Geodraft, another CAD add-on program that ensures that a design complies with geometric dimensioning and tolerance (“GD&T”) standards. By 1990, the bundled programs were being sold as the Designer’s Toolkit with a shrink-wrap license that prohibited any reverse engineering.

In 1989, Baystate developed and marketed a similar CAD add-on program called Draft-Pak that included a tablet template and a GD&T program. By January 1991, Baystate had obtained copies of the Designer’s Toolkit. Three months later, Baystate released a substantially revised Draft-Pak version, incorporating many of the features of the Designer’s Toolkit.

In May 1991, Baystate sued Bowers for a DJ that, among other things, its products did not infringe the ‘514 patent. Bowers counterclaimed for copyright infringement, patent infringement, and breach of the Agreement. The jury found for Bowers on all of his counterclaims and awarded him substantial damages for his breach of contract claim.

Baystate appealed to the Federal Circuit, arguing that the federal Copyright Act preempts the prohibition of reverse engineering in the Agreement. The Federal Circuit held that, under First Circuit law, the Copyright Act does not preempt the breach of contract claim. The Court ruled that the First Circuit does not interpret the Copyright Act to require preemption as long as a state cause of action requires an extra element, beyond mere copying, preparation of derivative works, performance, distribution, or display. The Court noted, however, that under First Circuit law, not every extra element of a state-law claim will establish a qualitative variance between the rights protected by federal copyright law and those protected by state law.

Although the First Circuit had not yet expressly addressed whether the Copyright Act preempts a state-law contract claim that restrains copying, the Federal Circuit concluded that the First Circuit would have found no preemption of the shrink-wrap contract claim in this case. The Court reasoned that the First Circuit would follow the majority of other circuits and hold that the Copyright Act does not preempt contractual restraints on copyrighted articles because the mutual assent and consideration between parties required by a contract claim provides the extra qualitative element needed to distinguish the contract claim from a copyright claim. A copyright is a right against the world, while contracts, in general, affect only their parties and do not create exclusive rights, the Court stated.

Having settled the preemption issue, the Federal Circuit found that substantial evidence supported the jury's verdict of breach of contract by reverse engineering the Designer's Toolkit. Among other things, the record showed that Baystate had scheduled two weeks to analyze the Designer's Toolkit while developing the new version of its own product. Further, Baystate's president testified that Baystate generally analyzed competitors' products to duplicate their functionality. The Court also noted the extensive and unusual similarities between the Designer's Toolkit and Baystate's product: the overall structure of the two programs were the same, the user interfaces were very similar, and both programs contained the same unusual, idiosyncratic design choices and inadvertent design flaws.

Concerning the patent infringement, the Court construed the claims differently than did the district court and concluded that given that construction, no reasonable jury could have found infringement.

## Court Upholds Finding of Inherent Anticipation

*Walter W. Brown*

[Judges: Prost (author), Cleverger, and Bryson]

In *In re Cruciferous Sprout Litigation*, No. 02-1031 (Fed. Cir. Aug. 21, 2002), the Federal Circuit affirmed the district court's holding that the asserted claims of U.S. Patent Nos. 5,725,895 ("the '895 patent"); 5,968,567 ("the '567 patent"); and 5,968,505 ("the '505 patent") were invalid as anticipated by the prior art.

The asserted patents concern methods of preparing food products containing cruciferous sprouts rich in glucosinolates and possessing high Phase 2 enzyme-inducing potential. The patents disclose that consumption of these products reduces the level of certain carcinogens, thereby decreasing the risk of cancer.

In the district court, Johns Hopkins University, owner of the three patents-in-suit, and Brassica Protection Products LLC ("Brassica"), the exclusive licensee, sued numerous parties for infringement. Following consolidation of the cases, the Defendants moved for SJ of invalidity, asserting that the patents were anticipated by prior art references disclosing the growing and eating of sprouts. The district court granted Defendants' motion, concluding that the claimed sprouts could not be patented based only on the discovery of a naturally occurring beneficial feature of those sprouts.

On appeal, Brassica argued that the district court had not properly construed the claim limitations "rich in glucosinolates" (appearing in claims 1 and 9 of the '895 patent) and "high Phase 2 enzyme inducing potential" (appearing in claim 1 of the '567 patent and claims 1 and 16 of the '505 patent). Specifically, Brassica contended that both limitations should be construed to require "at least 200,000 units per gram fresh weight of Phase 2 enzyme-inducing potential at 3-days following incubation under conditions in which cruciferous seeds germinate and grow."

As a preliminary matter, the Court ruled that the "rich in glucosinolates" language, though only present in the preamble of claim 1 of the '895 patent, constituted a limitation in that claim. Focusing on both the specification and the prosecution history of the patent, the Court found that the phrase helped to define the claimed invention. According to the Court, the specification indicated that the invention related to production of food products "rich in glucosinolates." Moreover, the Court noted that, during reexamination of the patent, the patentee relied on this language to distinguish their invention over the prior art.

In evaluating the disputed language, however, the Court held that Brassica's proposed construction improperly imported limitations from the specification into the claims. According to the Court, the specification did not define the limitations in terms of the particular conditions given in Brassica's interpretation, but rather used them according to their ordinary meanings. Moreover, the Court further contended that Brassica's proposed construction violated principles of claim differentiation in that many of the dependant claims recite the conditions advanced by Brassica.

Having rejected Brassica's proposed construction, the Court concluded that the asserted claims were anticipated by the prior art. Brassica had asserted that the claims were not anticipated because no prior art reference had disclosed sprouts rich in glucosinolates or possessing high Phase 2 enzyme-inducing potential, much less assembling these sprouts into a food product. The Court, however, found that the glucosinolate content and Phase 2 enzyme-inducing potential are inherent characteristics of sprouts that have well-known uses as food products. While

acknowledging that particular seeds produce sprouts that are rich in glucosinolates and high in Phase 2 enzyme-inducing potential, the Court noted that all of these sprouts have been identified as suitable for eating. In the Court's view, it was unnecessary for purposes of anticipation for persons in the art to have recognized the additional beneficial characteristics.

## Court Reverses Summary Judgment of Inherent Anticipation

Michael J. McCabe

**[Judges: Newman (author), Gajarsa, and Dyk (dissenting)]**

In *Elan Pharmaceuticals, Inc. v. Mayo Foundation for Medical Education and Research*, No. 00-1467 (Fed. Cir. Aug. 3, 2002), the Federal Circuit reversed the district court's SJ in favor of the Mayo Foundation for Medical Education and Research ("Mayo"), holding two patents owned by Elan Pharmaceuticals, Inc. ("Elan"), U.S. Patent Nos. 5,612,486 ("the '486 patent") and 5,850,003 ("the '003 patent") invalid as anticipated by U.S. Patent No. 5,455,169 ("the Mullan patent").

Elan's '486 and '003 patents are directed to transgenic animals whose genetic makeup has been altered so that they are susceptible to Alzheimer's disease. The DNA of these animals has been modified to contain a mutated human gene, which expresses amyloid precursor proteins ("APP") containing the "Swedish mutation." This mutation is believed to cause abnormal production of a protein fragment called beta-amyloid peptide ("betaAP"), which is formed when enzymes in the brain cleave APP. BetaAPs foster the formation of plaque deposits on the brain that cause Alzheimer's disease.

Elan's '486 and '003 patents claim transgenic rodents possessing human APP having the Swedish mutation wherein the APP is processed to ATF-betaAPP, a larger protein precursor to betaAPP, in sufficient amounts to be detectable. Detection of the larger ATF-betaAPP protein is easier than detection of betaAPP itself.

The prior art Mullan patent describes the isolation of the Swedish mutation and states that transgenic animals containing the mutated gene can be used in Alzheimer's disease research and therapy. Specifically, the Mullan patent states that the mutated gene can be transferred to a mouse that preferably will express the mutated gene. The Mullan patent also discloses various known procedures of gene transfer and cites scientific articles as to each "approach" used to create transgenic animals. The Mullan patent did not mention ATF-betaAPP, produce a transgenic animal with the Swedish mutation, or determine which of the known procedures would be

effective for this purpose. Moreover, experts for both Elan and Mayo testified as to the difficulty, uncertainty, unpredictability, and low success rate of the methods described in the Mullan patent to create transgenic animals.

The district court had found that although the Mullan patent does not mention the formation of ATF-betaAPP, its formation is inherent in the Mullan patent's general teachings of transgenic mice with the Swedish mutation. The district court had found that the standard procedures set forth in the Mullan patent would be expected to produce a statistically small percentage of transgenic mice, and some of these mice would be expected to produce detectable ATF-betaAPP. Ruling that Elan's claims did not require the claimed mice be tested for detectable ATF-betaAPP, the district court had found that the Mullan patent anticipates the claims.

On appeal, Elan argued that the Mullan patent does not mention producing detectable ATF-betaAPP, the critical limitation of its patent claims. Elan maintained that the Mullan patent does no more than teach broad known "recipes" for gene transfer and that the Mullan patent's disclosure is simply an invitation to experiment with no assurance of success. In response, Mayo echoed the district court, arguing that the detectable ATF-betaAPP limitation is inherent in the Mullan patent because a successful transgenic procedure and ensuing enzymatic cleavage will produce detectable ATF-betaAPP.

The Federal Circuit agreed with Elan, finding that the Mullan patent did not describe every element of the Elan claim or teach, in terms other than trial and error and hope, production of a transgenic mouse having detectable ATF-betaAPP. The Federal Circuit concluded that there was no evidence that the formation and detection of ATF-betaAPP in the transgenic mouse brain with the Swedish mutation was known to persons of ordinary skill in the field of the invention, and inherency cannot be based on the knowledge of the inventor.

Judge Dyk dissented, arguing that the majority's decision contradicts the case law and permits applicants to patent existing inventions by identifying inherent characteristics not identified in the prior art. In response, the majority stated that Elan did not patent something that previously existed because Elan's mouse did not exist.

## Court Is Flexible in Construing "Rigid"

Naoki Yoshida

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

In *Bionx Implants, Inc. v. Linvatec Corp.*, No. 00-1453 (Fed. Cir. Aug. 15, 2002), the Federal Circuit upheld a district court's construction of patented

claims that included the term “rigid,” but vacated a SJ of noninfringement, concluding that tests used to show the rigidity of the accused product were valid.

U.S. Patent No. 4,873,976 (“the ‘976 patent”) relates to a surgical fastener for repairing tears in the meniscus of the knee. The surgical fastener includes a rigid barbed shaft that is inserted into the meniscus to join torn meniscus portions. The ‘976 patent claims the “rigid” shaft and the method for repairing a tear with the “rigid” shaft. Bionx Implants, Inc. (“Bionx”), licensee of the ‘976 patent, sued Linvatec Corporation (“Linvatec”) for infringement of the ‘976 patent.

The district court, based on the specification and prosecution history of the ‘976 patent, had construed the term “rigid” used in the claims to mean rigid enough to be pushed directly through the semi-hard cartilage of a meniscus without any precutting. Bionx offered a videotape demonstrating Linvatec’s device being pushed into uncut meniscal tissue with an insertion rod. The district court discounted the tape, however, because the insertion was made possible only by use of the insertion rod. Accordingly, the district court held that Bionx’s evidence was insufficient to raise a genuine issue of material fact as to whether Linvatec’s device was capable of being pushed through uncut meniscal tissue and granted SJ of noninfringement.

On appeal, the Federal Circuit examined the specification and prosecution history of the ‘976 patent and upheld the district court’s claim construction. To be “rigid” within the meaning of the claims in the ‘976 patent, the specification of the ‘976 patent described that a suture must be sturdy enough to be “pushed through the tissue to be repaired.” According to the Federal Circuit, the use of the term “push” implied that the tissue to be repaired is uncut. The Court also found that the prosecution history of the ‘976 patent supported this claim construction.

Bionx contended that there is a genuine issue of material fact as to whether Linvatec’s device infringes the ‘976 patent even under the district court’s definition of the term “rigid.” To address this appealed issue, the Federal Circuit examined the videotaped demonstration relied on by the district court and concluded that the use of the insertion rod to insert the accused device was a valid test to demonstrate rigidity. In one embodiment of the ‘976 patent, the suture is inserted in the tissue to be repaired through a hollow outer sleeve or cylinder using a pusher. According to the Federal Circuit, what matters is whether Linvatec’s device is rigid enough to enter the meniscus without precutting, and it is irrelevant whether the device was used with an insertion rod.

The Federal Circuit recognized that for the demonstration to be of evidentiary value, Linvatec’s device must be inserted using a degree of force and method of insertion that would be used in a surgical

context. However, the Court found that the SJ ruling did not rest on the ground that Linvatec’s device was forced into the meniscal tissue through the use of a method that would never be used in a surgical context and concluded that the district court had erred by granting SJ to Linvatec based primarily on the fact that an insertion rod was used in the videotaped demonstration. Accordingly, the Court vacated the SJ of noninfringement and remanded the case for further proceedings.

## Applicant Loses Claims for Voice-Activated Hypermedia System

Charles W. Chesney

[Judges: Dyk (author), Bryson, and Gajarsa]

In *In Re Thrift*, No. 01-1445 (Fed. Cir. Aug. 9, 2002), the Federal Circuit affirmed in-part, vacated in-part, and remanded the Board’s decision affirming an Examiner’s rejection of claims for obviousness under 35 U.S.C. § 103(a).

Philip Thrift and Charles Hemphill filed U.S. Patent Application No. 08/419,229 (“the ‘229 application”) entitled “Voice Activated HyperMedia Systems Using Grammatical Metadata” on April 10, 1995. The most pertinent claims to this decision were independent claims 1, 11, and 14. Claim 1 is directed to a voice-activated hypermedia system using grammatical metadata. Claims 11 and 14 add to claim 1 the ability to create a “grammar.”

In the first Office Action, the Examiner rejected all the pending claims under 35 U.S.C. § 103(a) as being unpatentable over *Stefanopoulos et al.* (U.S. Patent No. 5,333,237) in view of Chris Schmandt et al., *Augmenting a Window System with Speech Input*, Computer Magazine, Aug. 1990, at 50 (“*Schmandt*”). With regard to dependent claims 11 and 14, the Examiner stated that although *Stefanopoulos et al.* and *Schmandt* do not disclose the grammar-creation capability of claims 11 and 14, the use of grammar is old and well known in the art.

In response to the Office Action, the Applicants amended claims 1 and 11 and presented arguments in an attempt to overcome the rejection. The Examiner then issued a final Office Action maintaining his rejection of the claims of the ‘229 application as obvious over *Stefanopoulos et al.* in view of *Schmandt*.

The Applicants then appealed to the Board, which affirmed the Examiner’s rejection. Although the Board acknowledged that the applied references do not explicitly disclose several of the various features of claims 11 and 14, it sustained the rejection of these claims.

Applicants appealed to the Federal Circuit on two grounds: (1) that the record does not support the Board’s determination that the Examiner made a

prima facie case of obviousness of claim 1; and (2) that the Board failed to provide evidence of the presence of key limitations of claims 11 and 14 in the prior art.

With regard to claim 1, the Applicants argued that the phrase “speech user agent” had a specific meaning (i.e., an agent that dynamically creates the vocabulary, grammar, and action that are possible for the user to use in a given situation) and none of the cited prior art disclosed this element. The Federal Circuit, however, interpreted the phrase according to its plain meaning (i.e., an interface that allows the user to interact with the system by speaking). Although the Federal Circuit recognized that an applicant may be his own lexicographer, it found that nothing in the specification defined the phrase “speech user agent” differently from its ordinary meaning. The Federal Circuit then found that given its ordinary meaning, the cited references clearly disclosed all the elements of claim 1.

The Applicants further argued that the Federal Circuit should reverse the obviousness rejection because there is no suggestion or motivation to combine the cited references. The Federal Circuit, however, found that the Board clearly identified a motivation to combine the teachings that were present in the text of each reference.

With regard to claims 11 and 14, the Federal Circuit found that the Board’s rejection was inadequate. In particular, the Board sustained the Examiner’s conclusion of obviousness based on his finding that the use of grammar is old and well known in the art. The Federal Circuit, although recognizing that this statement is likely true, found that the cited references failed to address the grammar-creation capability of claims 11 and 14. In particular, the Federal Circuit found that although the Examiner’s statement generally addresses the use of grammar, it does not discuss the unique limitations of claims 11 and 14.

Therefore, because the Board did not hold that the arguments were untimely and reached the merits of claims 11 and 14 but failed to provide an adequate basis for rejecting this claim, the Federal Circuit vacated the Board’s rejection of claims 11 and 14.

## Court Broadens Claim Scope and Remands on Inventorship Issue

*Kenneth M. Lesch*

**[Judges: Linn (author), Bryson, and Michel (dissenting)]**

In *Trovan, Ltd. v. Sokymat SA*, No. 01-1360 (Fed. Cir. Aug. 1, 2002), the Federal Circuit vacated the district court’s decision that Ake Gustafson, an

employee of Sokymat SA (“Sokymat”), is not a co-inventor of U.S. Patent No. 5,281,855 (“the ‘855 patent”), assigned to Trovan, Ltd. (“Trovan”), and remanded the case for further determination of the inventorship issue.

In the late 1980s, Trovan began designing a process for the production of passive transponders. Trovan hired the services of Sokymat, a Swiss watch manufacturer headed by Gustafson, to optimize the production of the transponders. As fruit of its design efforts, Trovan obtained the ‘855 patent, which lists Leonard Hadden and Glen Zirbes as the inventors. Sokymat also obtained a patent, U.S. Patent No. 5,572,410 (“the ‘410 patent”), which lists Gustafson as the sole inventor. Both patents relate to transponders that comprise a small coil winding having wire leads attached to a chip.

In response to Trovan’s suit for infringement of the ‘855 patent, Sokymat alleged that Gustafson is a coinventor, and thus co-owner, of the ‘855 patent. Trovan also alleged that Hadden and Zirbes were the actual inventors of the ‘410 patent, and, thus, Trovan owns the ‘410 patent. The district had found that Hadden and Zirbes were not inventors of the ‘410 patent, a decision that Trovan did not appeal. The district court had also found that Gustafson failed to provide sufficient evidence that he contributed to the conception of the claimed invention in the ‘855 patent, which Sokymat appealed.

On appeal, Sokymat argued that because Gustafson was named the sole inventor of the ‘410 patent and because the ‘410 and ‘855 patents have overlapping subject matter, Gustafson is at least a co-inventor of the ‘855 patent. The Federal Circuit rejected this, concluding that Sokymat cannot rely on Trovan’s failure to meet its burden of proof on the issue of inventorship of the ‘410 patent to satisfy its burden to prove that Gustafson is a coinventor of the ‘855 patent. The Court indicated, however, that an examination of Gustafson’s inventive efforts toward the ‘410 patent may be probative regarding whether he invented certain features of the ‘855 patent.

Sokymat then argued that Gustafson conceived and reduced to practice the wire-support feature of claims 5 and 9 of the ‘855 patent. To determine the inventorship, the Federal Circuit first construed the claims at issue, a task the district court had failed to do. The Court concluded that the plain language of claim 5 requires that the wire leads provide at least some support for the silicon substrate, but not necessarily all the support, and that the wire leads be connected directly to the chip.

While Gustafson’s reduction to practice was clear from the record, his conception of the invention of claims 5 and 9 was not. The Federal Circuit determined that the evidence in the record showing conception blurred the two concepts of (1) directly connecting wire leads to the chip and (2) providing at

least some support for the chip by the wire leads. The blurring of these two concepts, the Federal Circuit determined, led the district court's fact-finding to be inconclusive on whether Gustafson contributed to the wire-support feature.

Therefore, the Federal Circuit remanded the case to determine who first conceived the wire-support feature of claims 5 and 9, as well as to determine whether Gustafson first conceived of thermal-compression bonding features of certain claims.

Judge Michel, dissenting, read the requirement of "sole support" in claims 5 and 9 in view of the specification, which explains that for some applications, it may be possible to dispense with the support means and depend entirely upon the wires for support.

## Party Cannot Argue About Inconsistent Verdicts Inconsistently

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Jeffrey H. Tidwell

[Judges: Gajarsa (author), Linn, and Mayer (dissenting)]

In *Minnesota Mining & Manufacturing Co. v. Chemque, Inc.*, No. 00-1429 (Fed. Cir. Aug. 30, 2002), the Federal Circuit affirmed-in-part, reversed-in-part, and remanded the district court's judgment in favor of Chemque, Inc. ("Chemque"), following a jury's verdict that Chemque does not infringe Minnesota Mining and Manufacturing Company's ("3M") U.S. Patent No. 5,169,716 ("the '716 patent") and that the '716 patent is invalid.

The '716 patent is directed to a composition of encapsulants used to protect signal transmission devices, such as optical cables, from contamination. A signal transmission device is encompassed in a mixture of the two ingredients that comprise the encapsulant. When the components are mixed, they form a gel-like polymer structure that protects the transmission device.

3M brought suit against both Chemque, Inc. and Thomas & Betts Corporation ("T&B"), alleging infringement of claims 1 and 9 of the '716 patent. Both Defendants asserted that the claims were invalid under several provisions of 35 U.S.C. § 102. The case was tried to a jury. Before the jury reached a verdict, however, 3M moved for JMOL on Defendants' invalidity defenses, which the district court denied. The jury returned a special verdict finding no infringement of independent claim 1 but infringement of dependent claim 9. Further, the jury found that independent claim 1 was not anticipated but that dependent claim 9 was anticipated.

After the jury's verdict was entered, 3M made a motion for JMOL with respect to the validity of dependent claim 9 and moved for a new trial due to the inconsistencies in the jury's verdict. With respect to the issue of infringement, Defendants argued that the jury's verdicts were inconsistent in that a dependent claim could not be infringed if the independent claim from which it depends is not infringed. However, with respect to the issue of anticipation, Defendants argued that the jury's findings were not inconsistent and the court should affirm the jury's finding that dependent claim 9 was invalid. The district court concluded that the verdicts were not inconsistent and entered judgment in favor of Defendants.

3M limited its appeal to the issues of whether claim 9 was anticipated and whether Chemque had induced infringement. Defendants challenged the jury's finding that claim 9 was infringed and the district court's claim construction.

The Federal Circuit first addressed the jury's inconsistent findings with respect to both infringement and invalidity and ruled that the Defendants were judicially estopped from arguing that the jury's findings were inconsistent because they had expressly argued against a finding of inconsistency at the district court level. In this case, the Court found that the law of the Fifth Circuit warranted a finding of judicial estoppel with respect to the Defendants. Therefore, the Court adopted the jury's finding that the Defendants had infringed claim 9 of the '716 patent.

The Court next turned to the question of whether Chemque had induced infringement of claim 9 as well. The Court concluded that the evidence indicated that Chemque was aware of the 3M patents and supplied the infringing products to T&B and other customers with instructions on how they were to be used, which, when followed, would lead to infringement.

Lastly, the Court turned its attention to the jury's finding that claim 9 of the '716 patent was invalid under 35 U.S.C. § 102. The Court first noted that neither the jury nor the parties themselves were clear about which section of 35 U.S.C. § 102 the jury had relied on in its finding of "anticipation." As a result, the Court treated the issue by examining all possible bases for invalidity under that section. After examining several key references, the Court held that there was insufficient evidence to overcome the statutory presumption of validity of the claim. As a result, the Court found in favor of 3M, reversing the district court's refusal to enter JMOL on the issue.

Chief Judge Mayer dissented because he would have affirmed the jury's determination of invalidity.

## District Court Failed to Construe Claims and Improperly Concentrated on “Heart of the Invention”

Donald D. Min

[Judges: Linn (author), Gajarsa, and Prost]

In *Allen Engineering Corp. v. Bartell Industries, Inc.*, No. 01-1238 (Fed. Cir. Aug. 1, 2002), the Federal Circuit affirmed-in-part, reversed-in-part, vacated-in-part, and remanded the district court’s judgment regarding validity, infringement, and damages of U.S. Patent No. 5,108,220 (“the ‘220 patent”). The Federal Circuit found numerous errors in the district court’s judgment and criticized both counsel for their conduct during the case.

Allen Engineering Corporation (“Allen”) is the assignee of the ‘220 patent that relates to concrete riding trowels. Allen alleged that Bartell Industries, Inc.’s (“Bartell”) manufacture and sale of its Bartell #1 and Bartell #2 models infringed claims 1-4, 6-9, and 13-24 of the ‘220 patent.

After a bench trial, the district court had found that the Bartell #1 trowel literally infringed claims 15-19, and possibly other claims, and that the Bartell #2 trowel infringed unspecified claims of the ‘220 patent under the DOE. The district court rejected Bartell’s contention that the ‘220 patent claims were subject to an on-sale bar and that Allen committed inequitable conduct by not disclosing information regarding a product of Allen’s to the PTO during prosecution of the ‘220 patent. Finally, the district court rejected Bartell’s argument that damages could not be awarded because one of Allen’s products, which was allegedly covered by the claims of the ‘220 patent, bore erroneous marking stickers that did not provide effective notice of the patent numbers to the public.

On appeal, the Federal Circuit found numerous errors in the district court’s judgment. For example, the district court had not construed the claims, commenting instead on a single limitation that it considered the “heart” of the invention. The Federal Circuit emphasized that the test for infringement does not rely upon a protected “essential element,” “gist” or “heart” of the invention. Such tests were long ago rejected.

In regard to the finding of infringement under the DOE, the Federal Circuit noted that the district court had failed to perform a limitation-by-limitation comparison, and even failed to identify which claim or claims were infringed. The Federal Circuit then proceeded to provide detailed guidance on specific issues that, among others, would have to be addressed on remand by the district court regarding claim construction and infringement, both literally and under the DOE.

The Federal Circuit also found that several claims of the ‘220 patent were invalid for failing to meet the requirements of 35 U.S.C. § 112, ¶ 2. For example, one claim included a truncated limitation. Other claims used a phrase that was admittedly at odds with the specification. The Court ruled that these claims did not accurately set forth what the patentee regarded as his invention.

The Federal Circuit found that the district court had erred in concluding that sales of certain models by Allen did not trigger an on-sale bar. The district court had found these sales to be experimental and, thus, did not trigger an on-sale bar. However, the Federal Circuit found that the district court had incorrectly analyzed whether these sales were for experimental use. The Court noted that experimental use is based on a question of whether the primary purpose of the inventor at the time of the sale, as determined from an objective evaluation of the facts surrounding the transaction, was to conduct experimentation.

The Federal Circuit did agree with the district court on the inequitable-conduct issue. Bartell argued that Allen’s intent to deceive the PTO was shown by its gross negligence in failing to disclose sales of one of Allen’s own products during prosecution. However, even if Allen’s conduct amounted to gross negligence, the Court found that this alone would not be sufficient to show the requisite intent for inequitable conduct.

The Federal Circuit also affirmed the district court’s holding that Allen had effectively marked its products. At trial, Bartlett argued that a typographical error in the markings of Allen’s products rendered them ineffective. The Federal Circuit found the error to be a manifestly obvious typographical error in the placement of a semicolon, but that would not prevent interested members of the public from discerning the patent numbers.

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## Court Affirms Jury’s Verdict Finding Trade-Secret Misappropriation and Patent Infringement

Laura P. Masurovsky

[Judges: Linn (author), Newman, and Dyk (dissenting-in-part)]

In *BBA Nonwovens Simpsonville, Inc. v. Superior Nonwovens, LLC*, No. 02-1053 (Fed. Cir. Aug. 30, 2002), the Federal Circuit affirmed the district court’s judgment on post-trial motions following a jury’s verdict finding trade-secret misappropriation and patent infringement.

BBA Nonwovens Simpsonville, Inc. and several other Plaintiffs (collectively “BBA”) manufacture non-

woven fabrics used in the production of products such as carpet underlay, filters, and dryer sheets. Superior Nonwovens, LLC (“Superior”) was formed by several former employees and consultants of BBA. BBA brought suit against Superior for trade-secret misappropriation and patent infringement. A jury returned a verdict finding Superior liable for willful misappropriation of trade-secrets and patent infringement. The jury found no trade-secret misappropriation against one of the Plaintiffs, Reemay, Inc. (“Reemay”).

The district court denied Superior’s motions for JMOL or a new trial, and awarded punitive damages in addition to the actual damages awarded by the jury. The district court also enjoined Superior from using or otherwise disclosing trade secrets and from using the apparatus covered by the patent-in-suit, but stayed the trade-secrets portion of the injunction and instead imposed a royalty escrow on Superior of ten percent of its net sales pending appeal.

On appeal, the Federal Circuit applied Fourth Circuit law and the trade-secrets law of South Carolina to the trade-secret issues. The Federal Circuit agreed with the district court that Plaintiff, Fiberweb France S.A.’s (“Fiberweb”) trade secret was a unique combination of otherwise known components under South Carolina’s trade-secrets statute and common law. The Court also ruled that misappropriation did not turn on whether the person passing the information was in a master-servant relationship with Superior or was merely a consultant, but on whether the information was acquired by a person who knew or had reason to know that it was acquired by improper means. The Court rejected Superior’s argument that willful, wanton, or reckless misappropriation requires an element of malice or aggravation and found that the record amply sup-

ported a finding of willful misappropriation.

In deciding Reemay’s cross-appeal of the jury’s finding in favor of Superior on its trade-secret claim, the Federal Circuit ruled that the district court was not required to instruct the jury based on *Servo Corp. of America v. General Electric Co.*, 393 F.2d 551 (4th Cir. 1968), nor to exclude evidence of certain expired patents not relied upon by Superior in developing the accused technology. *Servo* does not apply in this case because it involved an issue of Virginia law, not South Carolina law, and because the issue of whether Reemay’s technology was a trade secret did not turn on any confidential relationship, which was central to *Servo*’s trade-secret cause of action.

As to patent infringement, the Court agreed with the district court’s claim construction and affirmed the judgment of infringement.

Finally, the Federal Circuit found no abuse of discretion concerning the nature of the injunction awarded, in particular, the requirement that Superior place ten percent of sales in escrow.

Judge Dyk dissented-in-part, concluding that the evidence did not support a finding that Fiberweb had established the existence of a trade secret under South Carolina law.

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**In Last month at The Federal Circuit**, certain terms, titles, and names of federal agencies that are frequently referred to in text, appear in abbreviated forms or as acronyms. These abbreviated forms and acronyms are listed below.

ALJ	Administrative Law Judge
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 & Drug Administration
IP	Intellectual Property
ITC	International Trade Commission
JMOL	Judgment as a Matter of Law
MPEP	Manual of Patent Examining Procedure
PCT	Patent Cooperation Treaty
PTO	United States Patent and Trademark Office
SEC	Securities and Exchange Commission
SM	Special Master