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## En Banc Federal Circuit Redefines the Doctrine Of Equivalents and Prosecution History Estoppel

Robert A. Matthews, Jr.

On November 29, 2000, the Federal Circuit handed down its much-anticipated en banc decision in *Festo Corp. v. Shoketsu Kinzoku Kogyo Kabushiki Co.*, No. 95-1066 (Fed. Cir. Nov. 29, 2000). The Court's holdings are summarized as follows:

1. an amendment that narrows the scope of a claim for any reason related to the statutory requirements for a patent, including 35 U.S.C. §§ 101, 102, 103, and 112, will give rise to prosecution history estoppel with respect to the amended claim element;
2. "voluntary" claim amendments are treated the same as other claim amendments;
3. when a claim amendment creates prosecution history estoppel, no range of equivalents is available for the amended claim element; and
4. "unexplained" amendments are not entitled to any range of equivalents.

The majority opinion begins with an extensive review of Federal Circuit and Supreme Court precedent concerning the DOE and prosecution history estoppel, which the Court uses as its framework in addressing the en banc questions. Against this framework, the Federal Circuit first addressed the question: Whether amendments made during prosecution, other than those made to overcome prior art, are for "a substantial reason related to patentability," and therefore do they create prosecution history estoppel under *Warner-Jenkinson Co. v. Hilton Davis Chemical Co.*, 520 U.S. 17, 33 (1997)? According to the Federal Circuit, prosecution history estoppel preserves the notice function of the claims and prevents patent holders from recapturing subject matter surrendered before the PTO. It thus saw no reason why prosecution history estoppel should not also arise from amendments for other reasons related to patentability. Thus, the Federal Circuit concluded, "substantial reasons related to patentability" include issues under 35 U.S.C. §§ 101 and 112, as well as §§ 102 and 103.

The Federal Circuit then considered whether a "voluntary" claim amendment—one not required by an examiner or made in response to a rejection by an examiner for a stated reason—should create

prosecution history estoppel. According to the Court, both voluntary amendments and amendments required by the PTO signal to the public that subject matter has been surrendered, and therefore, there is no reason why prosecution history estoppel should not arise if the applicant amended the claims voluntarily.

The majority's most controversial holding focused on this question: If a claim amendment creates prosecution history estoppel, under *Warner-Jenkinson*, what range of equivalents, if any, is available for the DOE for the claim element so amended? In holding that application of the DOE to such a claim element is completely barred, the Federal Circuit admittedly ruled contrary to the vast majority of its decisions on this issue since its inception in 1982.

In particular, the majority observed that the Federal Circuit has developed two lines of authority on the scope of an estoppel based on an amendment or arguments that distinguish the prior art, one line following a strict approach where the Court refused to speculate whether a narrower amendment would have been allowed (a "complete bar"), and the other line following a flexible approach where the Court recognized that amendments do not invariably preclude all equivalents (a "flexible bar"). Although the majority recognized that the flexible-bar approach was the more general approach taken by the Federal Circuit since its inception, it nonetheless came to a different conclusion in this en banc decision and held that prosecution history estoppel acts as a complete bar to the application of the DOE when an amendment has narrowed the scope of the claims for a reason related to patentability.

To support its conclusion, the majority identified the notice function of patent claims as being paramount and found problems with the flexible-bar approach, which the Court concluded made it virtually impossible to predict where the line of surrender was drawn. A complete bar, unlike a flexible bar, the Court ruled, lends certainty to the process of determining the scope of protection afforded by a patent for both the public and the patentee. In the words of the Court: "A complete bar reins in the DOE, making claim scope more discernable in preserving the notice function of claims." *Festo*, slip op. at 33.

The Federal Circuit then addressed the question: When no explanation for a claim amendment is established, what range of equivalents, if any, is available under the DOE for the claim elements so amended? Finding its answer in *Warner-Jenkinson*, the Court held that when no explanation for a claim amendment is established, no range of equivalents is available for that claim element.

Having provided its holdings on the en banc questions, the Federal Circuit turned to the merits of the appeal, namely, the judgments of infringement under the DOE of Festo Corporation's two patents: (the Stoll patent and the Carroll patent). In addressing these issues, the Federal Circuit instructed district courts to perform an analysis of prosecution history estoppel as the first step in any analysis of the DOE. Under this methodology, the district court must determine whether the claim limitation that the patentee asserts is met by an equivalent was narrowed by amendment during prosecution. If so, to avoid the application of an estoppel, the patentee must show that the amendment was made for a purpose unrelated to patentability concerns. In attempting to make this showing, to give due deference to public-notice considerations, the patentee may not rely on extrinsic evidence. Instead, the patentee must base arguments solely on the public record of the patent's prosecution history. If the patentee fails to make this showing, the Court must apply an estoppel. If the prosecution record fails to explain the reasons showing that the amendment was not related to patentability or is silent on the reason for the amendment, the Court must presume the amendment was related to patentability and apply an estoppel. Thus, the majority concluded that a narrowing amendment will give rise to prosecution history estoppel unless the prosecution history of the patent reveals that the amendment was made for a purpose unrelated to patentability concerns.

If the patentee did not amend the claim limitation during prosecution, the district court must then examine whether the patentee made any arguments that narrowed the asserted claim limitation and, if such arguments exist, consider the scope of any estoppel. Only after the district court completes the prosecution history estoppel analysis should it then consider whether the "All Elements Rule" further precludes infringement under the DOE.

Applying these new principles to the Festo patents, the majority reversed the jury verdict of infringement as to the Stoll patent and SJ of infringement as to the Carroll patent. In so doing, the majority held directly contrary to the two prior panel decisions of the Federal Circuit that had affirmed the judgments of infringement.

Judges Michel, Rader, and Linn concurred in part concerning issues 1, 2, and 4 above, but dissented in part concerning issue 3, concluding that the Federal Circuit's precedent required that the flexible-bar approach be maintained. Judge Michel recognized that most patents contain claim amend-

ments and therefore the majority's holding effectively strips patentees of any rights under the DOE. He concluded that would-be copiers are now at a tremendous advantage and will exploit the majority's complete-bar rule. According to Judge Michel, any would-be copier can now read the prosecution history to identify any amendments made for patentability reasons, copy every other limitation exactly, but substitute any known interchangeable structure for the amended limitation, and avoid liability.

Judge Rader further argued that the primary justification for the DOE is to accommodate "arising technology," which is not accommodated by the majority's complete-bar holding.

Judge Linn expressed his concern that the majority's holding will significantly increase the costs and complexity of patent prosecution to the detriment of individual inventors, start-up companies, and others unable to bear these increased costs. He noted that previous courts have criticized the majority's approach because "to allow literalism to satisfy the test for infringement would force the patent law to reward literary skill and not mechanical creativity." (Citation omitted.)

## ANDA Filing Merits Award of Attorney Fees to Patent Holder

Gregory A. Chopskie

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

In *Yamanouchi Pharmaceutical Co. v. Danbury Pharmacal, Inc.*, No. 99-1521 (Fed. Cir. Nov. 3, 2000), the Federal Circuit affirmed a district court's grant of JMOL that the asserted patent was not invalid and affirmed the district court's finding of willful infringement and corresponding grant of attorney fees.

Yamanouchi Pharmaceutical Co. ("Yamanouchi") charged Danbury Pharmacal, Inc. ("Danbury") with the willful infringement of Yamanouchi's U.S. Patent No. 4,283,408 ("the '408 patent") by Danbury's filing of an Abbreviated New Drug Application ("ANDA") with the Food and Drug Administration ("FDA"). Danbury's ANDA challenged the validity of the '408 patent and sought approval to market generic famotidine prior to the expiration of the '408 patent. Famotidine, an inhibitor of gastric acid secretion, is commercially marketed under the brand name PEPCID®.

After the presentation of all the evidence, the district court granted Yamanouchi's motion for JMOL, holding that Danbury had failed to present clear and convincing evidence that the asserted claim of the '408 patent was invalid for obviousness. Danbury had asserted that it would have been obvious to a person of ordinary skill in the art to synthesize famotidine by selecting each of its discrete subparts separately from the prior art.

The Federal Circuit disagreed, affirming the district court's finding that, while the prior art discloses each of the subunits of the claimed compound, Danbury had failed to show any motivation to combine those subunits to create famotidine. The Federal Circuit agreed with the district court's conclusion that this case "has all the earmarks of somebody looking at this from hindsight." *Id.*, slip op. at 10 (citation omitted).

The Federal Circuit also ruled that the district court had not abused its discretion in granting attorney fees. The Court agreed that Danbury had failed to exercise reasonable care by filing a baseless certification with the FDA that the '408 patent was invalid for obviousness. Noting that the statute specifically allows for the award of attorney fees, the Federal Circuit found no error in the district court's finding that Danbury's willfulness rendered the case exceptional.

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## Failure to Advise Examiner of Adverse Board Ruling Renders Patent Unenforceable

*Esther H. Lim*

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

In *Li Second Family Ltd. v. Toshiba Corp.*, No. 99-1451 (Fed. Cir. Nov. 8, 2000), the Federal Circuit affirmed a district court's decision holding the patent-in-suit unenforceable due to inequitable conduct.

Li Second Family Limited Partnership ("Li") filed suit against Toshiba Corporation and Toshiba America Electronic Components, Inc. (collectively "Toshiba") for infringement of Li's U.S. Patent No. 4,946,800 ("the '800 patent") covering a method for making a semiconductor device. The '800 patent was examined by Examiner Saba and issued from Application No. 05/386,102 ("the '102 application"), which is a continuation-in-part ("CIP") of

Application No. 05/154,300 ("the '300 application").

In defense, Toshiba charged that the '800 patent is unenforceable due to Li's inequitable conduct in concealing a decision of the Board in a related application examined by Examiner Larkins. Specifically, in a June 17, 1981, decision, the Board affirmed Examiner Larkins's rejection of Application No. 05/838,758 ("the '758 application"), also a CIP of the '300 application. In that decision, the Board had found that the claims of the '758 application were not entitled to the benefit of the 1965 or 1968 filing dates of Li's earlier applications. Despite the Board's 1981 decision in the '758 application, Li made no written record of the Board's 1981 decision regarding priority dates during the prosecution of the '102 application pending before Examiner Saba. While Li had attached a genealogy chart of related applications to the last supplemental amendment, he asserted repeatedly during the prosecution of the '102 application that the claims were entitled to the priority filing dates. Relying on that representation, Examiner Saba allowed the '102 application because the critical limitations were not taught in the prior art available before the 1968 priority date.

The Federal Circuit affirmed the decision of the district court, concluding that Li had committed inequitable conduct by affirmatively and repeatedly asserting that his claims were entitled to the benefit of the earlier filing dates, contrary to the express ruling of the Board. In particular, the Federal Circuit held that the genealogy chart alone does not adequately disclose the Board's 1981 decision in a related application regarding priority dates. The Court noted that in the same supplemental amendment to which Li attached the genealogy chart, Li asserted that the claims were entitled to the filing date of the parent applications.

Moreover, the Federal Circuit found the persistent course of nondisclosure and misrepresentation material because the effective filing date determines which references are available as prior art. According to the Court, "[p]articularly in a case such as this, in which an applicant's misrepresentation and nondisclosure of priority date information eliminates a reference specifically cited by the examiner and previously found by the Board to disclose an important feature of the claimed invention, there is no doubt that such information is highly material." *Li*, slip op. at 12. Finally, the Federal Circuit inferred from Li's affirmative misrepresentations that Li had intentionally concealed the Board's decision from Examiner Saba.

## District Court Improperly Read Limitations from Specification into Claims

Smith R. Brittingham

[Judges: Linn (author), Plager, and Schall]

In *Interactive Gift Express, Inc. v. Compuserve Inc.*, No. 99-1324 (Nov. 3, 2000), the Federal Circuit reversed a district court's claim construction of a patent disclosing methods and systems for reproducing information in material objects at point of sale locations. The Court disagreed with the district court's repeated efforts to impose into the claims features from detailed systems described in the patent specification. Finding error in the district court's construction of all five contested claim limitations, the Federal Circuit reversed the stipulated noninfringement finding and remanded the case for further proceedings consistent with its claim constructions.

Interactive Gift Express, Inc. ("IGE" (now known as E-Data, Corp.)) owns U.S. Patent No. 4,527,643 ("the '643 patent"). The '643 patent is directed to a system for reproducing information in "material objects," like tape recordings and books, at a point of sale location rather than a centralized manufacturing facility. The '643 patent claims contemplate use of an "information manufacturing machine" located at the point of sale to reproduce requested information. Using the claimed invention, information is copied onto a material object only when a consumer requests it, eliminating the need to anticipate demand, control inventory, and organize distribution, shipping, and warehousing.

IGE claimed that several computer software and publishing companies and one retail bookstore infringed the '643 patent. Each of the software and publishing companies sell software or documents over the Internet directly to consumers' personal computers. Consumers download information onto their hard drives without purchasing a material object such as a floppy disk or CD-ROM. The retail bookstore sells books along with a CD-ROM containing encrypted computer applications. When the consumers request a password, the encrypted information can then be downloaded onto the consumers' hard drives.

The district court's decision turned on the construction of five disputed claim limitations: (1) the meaning of "point of sale location"; (2) the meaning of "material object"; (3) the meaning of "information manufacturing machine"; (4) the meaning of "authorization code"; and (5) whether the infor-

mation must be stored at the information manufacturing machine before the consumer requests it.

Pointing to a portion of the specification, IGE argued below that a "point of sale location" is a place where a consumer goes to purchase material objects containing information. The district court had adopted this construction, but went on to find that a point of sale location could not be a consumer's home. The district court also had found that a point of sale location must have at least two blank material objects, and that blank material objects must be available for sale to consumers.

The Federal Circuit disagreed, finding nothing in the claim language or the specification requiring the additional limitations that the district court had added. Indeed, the Court noted that one embodiment in the specification describes a vending machine system that could be used in a home. The Court also found that the claimed method could be satisfied with only one material object, and that the district court had misunderstood the specification when it concluded that blank material objects had to be available for sale to consumers as well.

The district court found that a "material object" is a tangible medium or device in which information can be embodied, fixed, or stored, and from which the information can be perceived or used. The district went on to find that the material object must also be separate and distinct from the information manufacturing machine, removed from the machine after the purchase, intended for use away from the point of sale location, and must be offered for sale independently from the information.

Although the Federal Circuit agreed with much of the district court's construction, it disagreed with the district court's view that material objects must be offered for sale to consumers. The Court also disagreed with a proposed construction offered by IGE during oral argument that the information could be the material object itself, finding that argument illogical and inconsistent with the claims and the specification.

Turning to the next limitation, the district court had found that the functionality of an "information manufacturing machine" must be divided into four separate and distinct components, several having specific detailed attributes, that are described in one of the figures of the patent and in an embodiment in the specification. The district court had also found that the information manufacturing machine must exchange request reproduction and authorization codes with an "information control machine," a device also described as part of one embodiment in the specification.

The Federal Circuit again disagreed with the district court's construction. Looking at the claims, the Court found no reference to the specific components described in the embodiments and no requirement that the precise components disclosed in the specification perform the tasks of the claimed method.

As to the "authorization code" limitation, relying again on one of the embodiments, the district court had found that the "authorization code" must permit the information manufacturing machine to reproduce the information and must also include a decipher code so that the machine can decode the requested information. The district court had further found that the "authorization code" is separate and distinct from the request reproduction code, and that the authorization code must be transmitted to the information manufacturing machine from the "information control machine."

Once again, the Federal Circuit rejected many of the additional limitations added by the district court to the claim language. The Court found that the claims do not require that the information stored in the information manufacturing machine be encoded at all, so nothing requires the authorization code to provide decoding information. Because the Federal Circuit had previously rejected the district court's view that there must be an information control machine, the Court also rejected the district court's additional requirement that the authorization code come from that device. The Federal Circuit did agree that the authorization code and request reproduction codes were separate and distinct, however, finding them separately recited in the claims and the specification.

As to the final claim construction issue, which essentially required that the claim steps be performed in the order they are recited, the Federal Circuit concluded that nothing required the earlier-recited claim steps to occur prior to the later-recited steps. Logically, the system could send the information to the information manufacturing machine after the consumer makes a request for information, even though the claims described the steps in a different order. The Court found support for this view in the specification, where two embodiments involved the delivery of information to the machine after a request. Although the specification described those embodiments as impractical and uneconomical, the Court still viewed them as providing support for a claim construction that was not limited to a specific order of steps.

Having so construed the limitations at issue on appeal, the Court vacated the stipulated judgment

of infringement, which was predicated on the district court's erroneous claim constructions, and remanded for further proceedings.

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## Cold Fusion Claims Get "Cold Shoulder" from PTO

*Kristen Jakobsen Osenga*

**[Judges: Plager, Archer, and Dyk (*per curiam*)]**

In *In re Swartz*, No. 00-1108 (Fed. Cir. Nov. 8, 2000), the Federal Circuit affirmed a decision of the Board rejecting certain claims of Application No. 07/760,970 for lack of utility under 35 U.S.C. § 101 and lack of enablement under 35 U.S.C. § 112, ¶ 1.

In affirming the rejection, the Federal Circuit reiterated the close relationship between an enabling disclosure under § 112, ¶ 1, and satisfactory utility under § 101. The utility requirement requires that the invention be operable to achieve useful results. While to provide an enabling disclosure, an applicant must adequately disclose the invention so that one of ordinary skill in the art would be able to practice the invention at the time the application was filed, without undue experimentation. If the invention is inoperable, then necessarily a person skilled in the art would not be able to practice the invention, the Court stated. Therefore, a lack of utility under § 101 will also be grounds for a lack of enabling disclosure under § 112.

Mitchell R. Swartz had filed a patent application directed to a process relating, in part, to cold fusion. The Examiner had rejected the claims concerning cold fusion for lack of utility and lack of an enabling disclosure.

The PTO provided several references showing the irreproducibility of cold fusion, thus supporting a finding that one of ordinary skill in the art at that time would reasonably doubt the utility and operability. The burden then shifted to Swartz to rebut the PTO's proof, but he failed to produce such evidence.

With respect to the enablement requirement, the Examiner had found that Swartz's application did not contain any disclosure of any operative embodiment, thus forcing a person of ordinary skill to rely on art known as of his filing date to practice the invention. Here again, Swartz failed to respond with compelling evidence.

Before the Federal Circuit, Swartz argued that the rejected claims were drawn to a process other than cold fusion. The Court rejected that argument, as throughout the specification and during prosecution of the application, Swartz continually represented his invention as relating to cold fusion. Additionally, Swartz argued that the Board had “ignored” evidence he submitted, and invited the Court to examine extensive record material that he claimed supported his position. The Federal Circuit found, however, that the mere conclusory allegations of omission by the Board and an invitation to review voluminous material is not sufficient to establish that the Board’s decisions were wrong.

In a related, nonprecedential case before the same panel, *In re Swartz*, No. 00-1107 (Fed. Cir. Nov. 8, 2000), the Federal Circuit affirmed another Board decision, rejecting certain claims of Application No. 07/371,937 for lack of utility under 35 U.S.C. § 101; lack of enablement under 35 U.S.C. § 112, ¶ 1; and indefiniteness under 35 U.S.C. § 112, ¶ 2.

During prosecution, Swartz had made no substantive arguments addressing the Examiner’s rejection under 35 U.S.C. § 112, ¶ 2. On appeal before the Board, Swartz had failed to address the indefiniteness rejection, arguing instead that he had filed two amendments after receiving the final Office Action, but the Examiner had refused to enter the amendments as they raised new matter. When notified of this deficiency, Swartz argued only that his proposed amendments addressed the rejection under § 112, ¶ 2.

The Federal Circuit, like the Board before it, found that Swartz’s argument that his proposed amendments addressed the rejection was irrelevant, as the amendments were not before the Board. The Court found that the Board had properly affirmed the Examiner’s rejection under § 112, ¶ 2, and that the Board had not erred in failing to review the Examiner’s refusal to enter amendments after final rejection.

## Single Embodiment Restricts Functional Claim Language

*Keith D. MacMillan*

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

In *Watts v. XL Systems, Inc.*, No. 99-1526 (Fed. Cir. Nov. 14, 2000), the Federal Circuit disagreed with the district court’s interpretation that a disputed claim element was written in “means-plus-func-

tion” format, but nevertheless affirmed its SJ holding of noninfringement.

John D. Watts (“Watts”) sued XL Systems, Inc. (“XL”) for infringing claims 2 and 18 of his U.S. Patent No. 4,813,717 (“the ‘717 patent”) and claim 1 of his U.S. Patent No. 5,143,411 (“the ‘411 patent”). Each of these claims relate to an improved way to connect long sections of pipe together. The primary application of this technology is in the oil drilling industry, where such sections of pipe (called joints) must be connected as they are dropped vertically into oil wells that may penetrate several miles into the ground. For such applications, pipe joints are manufactured with tapered threads on the outside of one end and on the inside of the other. Successive joints then connect to one another (or each to a third connecting joint) using these tapered threads, not unlike the way a nut connects to a bolt.

To be useful in this context, however, the threaded ends of the joints must be tapered so as to avoid increasing the wall thickness of the pipe or changing its inner diameter. Watts patented a connection utilizing dimensions that meet these criteria and also better withstand the large and varied forces to which oil well pipes are exposed.

The disputed claim language concerned the way a seal forms when the joints connect. Representative claim 18 recites, for example, that the “tapered . . . threads [are] dimensioned such that one such joint may be sealingly connected directly with another such joint.” Watts’s specification discloses only one way to make the seal: namely, by using threads with misaligned taper angles. The parties had stipulated that XL’s accused products employ something other than, and not insubstantially different from misaligned taper angles to create the seal. The parties had also stipulated that XL’s products do not infringe any of the three claims when the quoted statement is construed as a means-plus-function limitation.

The district court construed the “sealingly connected” limitation (and another similar functional limitation) to be a means-plus-function limitation because it considered the limitation drawn to a function to be performed rather than to a definite structure. Accordingly, it restricted this limitation to the disclosed “misaligned taper” embodiments disclosed in Watts’s specification, and found XL’s products to be noninfringing.

On appeal, the Federal Circuit disagreed that the limitation in question fell under 35 U.S.C. § 112, ¶ 6 and reversed the district court’s holding on this, noting that § 112, ¶ 6 presumptively does not apply where the claim fails to use the word “means,” the Court found that in this case the pre-

sumption was not rebutted because the phrases, “a second end formed with tapered external threads” and “a first end” with “tapered internal threads” refer to terms that are reasonably well understood in the art as names for structure that performs the recited sealing function.

Having so ruled, the Federal Circuit proceeded on what it called a more standard claim construction. The Court observed that the specification taught only the one method of sealing the connection. Further, the Court construed the phrase, “[t]he present invention utilizes [the varying taper angle] feature,” in the specification as actually limiting the invention to only this feature. It also found that Watts had distinguished his invention from the prior art during prosecution by arguing that the prior art taught away from using misaligned taper angles to create a seal.

Although the Court acknowledged its precedent that limitations contained in the specification are not ordinarily to be read into the claims, it nevertheless deemed reading such limitations into the claims to be proper in this case, based on the limitation in the specification and the prosecution history. Given this construction and the stipulates of the parties, the Court affirmed the district court’s finding of noninfringement.

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## Federal Circuit Is Its Own Lexicographer: “Litigation” Includes ITC Proceedings

John A. Hudalla

**[Judges: Rader (author), Newman, Lourie (dissenting)]**

In *Texas Instruments Inc. v. Tessara, Inc.*, No. 00-1381 (Fed. Cir. Nov. 7, 2000), the Federal Circuit reversed a district court’s holding that the term “litigation” as used in a licensing contract did not include ITC proceedings.

In November 1996, Tessara, Inc. (“Tessara”) licensed certain semiconductor technology to Texas Instruments Inc. (“TI”). The license agreement (“Agreement”) contained a choice-of-law clause which stated, in relevant part, “[i]f . . . disputes, controversies, claims or differences cannot be settled between the parties, any litigation between the parties relating to this Agreement shall take place in California.”

A dispute between the parties arose in April 1999, when Tessara requested royalties for a class

of TI’s imports under three of Tessara’s patents.

On January 17, 2000, when negotiations between the parties broke down, Tessara terminated its Agreement with TI. In response, TI filed a DJ action in the District Court for the Central District of California. TI’s lawsuit, which was filed on February 1, 2000, sought a judgment of invalidity and non-infringement of Tessara’s patents.

Then, on March 28, 2000, Tessara filed a complaint with the ITC under section 307 of the Tariff Act of 1930, charging that TI’s importation of some TI products infringed two of Tessara’s patents. TI responded on April 4, 2000, by applying for a temporary restraining order (“TRO”) in the California district court seeking to restrain Tessara from pursuing claims arising from the Agreement outside of California. TI also requested an expedited hearing for a preliminary injunction in the California district court case. TI contended that Tessara had instituted “litigation” against TI outside of California by filing a complaint in the ITC. Since the ITC tribunal is located in Washington, DC, TI alleged that Tessara had violated the 1996 Agreement.

Nonetheless, the district court denied TI’s application for a TRO and scheduled a hearing on the preliminary injunction for May 1, 2000. But on April 27, 2000, the ITC instituted an investigation into the matter. At the same time, the ITC made a motion to intervene in the district court proceeding. The district court granted the ITC’s motion to intervene but denied TI’s motion for preliminary injunction, finding TI unlikely to succeed on the merits that the Agreement’s reference to “litigation” included proceedings in the ITC.

The Federal Circuit applied California state law to interpret the Agreement. Under California law, the Court found, the contract terms would be given their ordinary and popular meaning unless the contracting parties used them in a technical or special sense. The Court also found that both Tessera and TI were sophisticated parties with experience in patent licensing. Thus, the Court continued, the parties were well aware of available remedies for patentees and available defenses for accused infringers when they negotiated the license in question. The Court therefore attributed to the parties a basic knowledge of the actions, remedies, forums, and venues available in patent law.

Noting that both the ITC and the Federal Circuit have referred to section 337 actions as “litigation,” the Court concluded that section 337 proceedings at the ITC were recognized as “litigation.”

Turning to the language of the Agreement, the Court observed that the license required any litigation between the parties to take place in California. Since ITC actions could not be brought in

California, the Court reasoned, the parties had not agreed to the ITC as a forum for litigation in their Agreement. Therefore, the Court reversed the district court's finding on the "likelihood of success" preliminary injunction factor and remanded the case for consideration of the other preliminary injunction factors.

The Court warned that, even if TI was ultimately successful in obtaining an injunction, the injunction would be effective only against Tessera, and not the ITC. Since the ITC stated that it would continue its investigation (which also involved other Defendants), the Court cautioned that any possible injunction would only enjoin Tessera's participation in the ITC against TI, and not the ITC tribunal's actions.

Judge Lourie dissented, finding that the choice-of-law provision was intended only to encompass geographic choices for courts and not to encompass types of forums. He also expressed concern about the possibility of a conflict between a possible district court injunction and the ongoing ITC proceedings.

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## Co-ownership of Patent Prevents Infringement

*Bart W. Wise*

**[Judges: Linn (author), Plager, and Friedman]**

In *Corry v. CFM Majestic Inc.*, No. 00-1019 (Fed. Cir. Nov. 16, 2000) (nonprecedential decision), the Federal Circuit affirmed a district court's decision granting SJ of noninfringement based on patent co-ownership, but vacated a judgment that Arthur Corry's claims for certain product-based royalties were barred under the theories of laches, waiver, and conformance of the Agreement between the parties.

The dispute centered on an April 1992 agreement ("the Agreement") between the two parties that allowed CFM Majestic Inc. ("CFM") to use Corry's processes for forming ceramic logs for fireplaces. In particular, the parties disputed the interpretation of two royalty provisions: a "product-based" royalty based on the initial processes provided to CFM by Corry; and a royalty based on improvements of these processes. The parties could not agree on which processes formed the basis for these royalties and could not agree on whether the improvement-based royalty had been

paid up. In addition, the parties disputed whether the minimum period for royalty payments agreed upon in the Agreement had been extended. Corry also contended that CFM infringed U.S. Patent No. 5,700,409 ("the '409 patent"), which issued to Corry on December 23, 1997. CFM claimed that it is the co-owner of the '409 patent under the Agreement and therefore could not infringe the patent.

The district court granted SJ for CFM on all claims. It ruled that the contract defenses of laches, waiver, and conformance of the Agreement to the conduct of the parties prevented Corry from collecting the product-based royalties under Corry's interpretation of that royalty provision. The district court relied on the inequities to CFM in enforcing the royalty in accordance with Corry's proffered interpretation of the Agreement, primarily citing Corry's delay in informing CFM about his interpretation of the product-based royalty provision. In addition, the district court determined that the Agreement did not bind CFM to make improvement-based royalties and did not extend the minimum period for royalty payments. It also held that CFM was a co-owner of the '409 patent and thus did not infringe the patent.

On appeal to the Federal Circuit, Corry asked for reversal of each entry of SJ. Corry contended that the district court had decided the issues concerning the improvement-based royalty and the additional monthly sua sponte and without the required notice and opportunity for Corry to respond.

As an initial matter, the Federal Circuit resolved to follow the law of the Fourth Circuit on procedural issues and the law of Ontario, Canada, for the substantive law on the contract issues. Because the case involved a patent issue, the Federal Circuit accepted jurisdiction.

On the issue of patent infringement, the Federal Circuit found that Ontario law clearly states, contrary to Corry's assertions, that extrinsic evidence need not be considered if the contract language is clear and unambiguous on its face. The Federal Circuit determined that the provision of the Agreement that governs ownership of improvements to the ceramic log technology was clear and unambiguous in granting CFM rights as a co-owner of the patent, allowing the district court to properly decide the issue at the SJ stage. Based on the well-established patent law principle that a co-owner of a patent may freely use the patented invention, the Federal Circuit affirmed the district court's judgment of noninfringement.

On the issues of the improvement-based royalty and the further monthly payments, the Federal Circuit held that Corry was not given sufficient notice and opportunity to respond to district court's intention to rule on these issues. The Court found insufficient references in CFM's SJ motions to these issues to satisfy Fed. R. Civ. P. 7(b)(1)'s requirement that a motion must state its grounds with particularity. Although the Court found that a telephone conference call may have given Corry notice of the district court's intentions to decide the improvement-based royalty and monthly payments issues, it held that this notice was insufficient as the call had occurred only one day before the court issued its SJ order. Therefore, the Federal Circuit vacated the SJ on these issues and remanded for further proceedings.

Finally, the Federal Circuit concluded that the district court had not fully analyzed the laches, waiver, and conformance of the Agreement defenses argued by CFM. In essence, the Federal Circuit found that proper determination of these issues necessitated an interpretation of the relevant contract language of the Agreement, which the district court had not performed. The Federal Circuit rejected CFM's contention that, although the district court had only considered the laches and waiver defenses as applied to Corry's interpretation of the relevant provision of the Agreement, the district court had interpreted the contract's language in accordance with CFM's proffered interpretation and in conformance with the parties' conduct. Accordingly, the Federal Circuit remanded for further proceedings.

## Rule 60(b) Motion Rejected as Attempt at "End Run" Around Appellate Process

Courtney B. Dyszkiewicz

**[Judges: Linn (author), Rader, and Schall]**

In *Inwood International Co. v. Wal-Mart Stores, Inc.*, No. 00-1024 (Fed. Cir. Nov. 17, 2000) (non-precedential decision), the Federal Circuit affirmed the district court's denial of Inwood International Company's ("Inwood") Rule 60(b) motion to vacate the dismissal of its claims against Wal-Mart Stores, Inc. ("Wal-Mart") and others because it discerned no abuse of discretion by the district court.

Inwood owns U.S. Patent No. 4,662,635 ("the '635 patent") entitled "Video Game with Playback

of Live Events." Inwood sued Wal-Mart for infringement of the '635 patent; however, in a mediation session, the parties drafted and signed a settlement agreement ("the Agreement"). The Agreement granted Wal-Mart a perpetual, royalty-free license of the '635 patent and a covenant not to sue. Both parties also agreed to execute releases, and Inwood agreed to dismiss its claims.

On July 9, 1999, the district court held an evidentiary hearing on Wal-Mart's motion to enforce the Agreement. The district court found the Agreement to be enforceable and unambiguous and concluded that the parties had executed no subsequent agreements. Therefore, the district court ordered the parties to submit an agreed order of dismissal of the infringement suit and noted that the parties had an obligation to execute the releases and formal settlement documents of the Agreement.

On August 10, 1999, the district court resolved further disputes over the language of the releases and formal settlement documents. The court also ordered that the parties would execute the releases and submit the dismissal order to the court not later than August 24, 1999.

The parties abided by the court's order, and on August 27, 1999, the district court entered judgment dismissing all of Inwood's claims against Wal-Mart. Then, on September 17, 1999, Inwood filed a motion requesting the district court to vacate the August 27 dismissal order and the patent claim construction and rule as a matter of law that Wal-Mart infringes its patent. The district court denied this motion on September 20, 1999, and Inwood filed a notice of appeal in the Federal Circuit on October 5, 1999.

The Federal Circuit denied Wal-Mart's motion to dismiss Inwood's appeal as untimely, and in its order determined that Inwood's September 17, 1999, motion would be treated as a motion for relief from judgment under Fed. R. Civ. P. 60(b), which would allow Inwood thirty days from the September 20, 1999 denial to appeal.

Rule 60(b)(1) and (6) allow relief from final judgment for: (1) mistake, inadvertence, surprise, or excusable neglect; or (2) any other reason justifying relief from the operation of judgment. Applying Fifth Circuit law to the procedural question on appeal, the Federal Circuit cautioned that a Rule 60(b) appeal may not be used as a substitute to the ordinary appeal process when the period for appeal has expired. Relief from final judgment under Rule 60(b)(6) may be premised on an obvious error of law, but even assuming such error, the district court still has the discretion to deny the motion where the petitioner forfeited the proper course of appeal

on the merits. Therefore, the district court has sound discretion over Rule 60(b) motions, and their decision may only be set aside for abuse of that discretion.

The Federal Circuit only addressed Inwood's arguments regarding the district court's alleged abuse of discretion in refusing to vacate the dismissal order because the other issues were outside the scope of setting aside the judgment. The Federal Circuit rejected Inwood's arguments that there was no meeting of the minds in forming the Agreement and that the Agreement was not signed by the parties. The Court held that the Agreement is binding because it contains unambiguous and essential terms. Also, the Court ruled that clearly the parties counsel had the authority to bind the parties by signing the Agreement, and Inwood failed to offer proof to the contrary. Further the Court agreed with Fifth Circuit law on the presumption that there was sufficient consideration to support the Agreement if both parties signed it and the surrendering of legal rights presents additional proof of consideration.

The Federal Circuit found that none of the evidence supported Inwood's argument that the district court had abused its discretion in denying Inwood's motion to vacate the dismissal order. Additionally, the Court noted that all of Inwood's arguments could have been raised on a timely appeal of the final judgment, and the Federal Circuit would not condone an improper "end run" around of the proper appeal process. Thus, the Federal Circuit affirmed the district court's judgment denying Inwood's Rule 60(b) motion.

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## Applicant Fails to Rebut Prima Facie Case of Obviousness

Tara L. Bleech

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

In *In re Pfeiffer*, No. 00-1067 (Fed. Cir. Nov. 1, 2000) (nonprecedential decision), the Federal Circuit affirmed a determination of the Board affirming the rejection of certain claims for obviousness.

T. Pfeiffer sought to patent an improved optical amplifier for a fiber-optic cable. The amplifier contained a filter doped with ytterbium for absorbing pump light within a range of 900 to 1050 nanometers. The Board upheld an Examiner's rejection of claims 1-8 of Pfeiffer's application based on U.S.

Patent No. 3,949,315 ("Zeidler") in light of U.S. Patent No. 4,106,857 ("Snitzer") or a Japanese patent application ("Nippon"). Zeidler discloses the use of a doped optical fiber absorption filter to reduce "noise" frequencies outside the frequency band of the signal frequency. Both Snitzer and Nippon disclose the selection of ytterbium as the dopant for a filter, and both disclose a filter that blocks wavelengths between roughly 900 and 1050 nanometers. The Board had found that an individual of ordinary skill in the art would have been motivated to substitute ytterbium-doped glass of Snitzer or Nippon into the optical filter of Zeidler to produce Pfeiffer's claimed invention.

On appeal, the Federal Circuit first addressed whether the Board had improperly engaged in hindsight reconstruction in combining references. The Court concluded that one would have been motivated to combine the references by explicit statements in the references encouraging such a combination.

The Federal Circuit also upheld the Board's holding that the cited references teach Pfeiffer's invention. The Court agreed that Pfeiffer could not argue that removing light at 960 to 1000 nanometers was not a recognized problem, because it was mentioned in the preamble of his Jepson-format claim, rendering it admitted prior art.

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## Prior Art Tennis Racquets "Smash" Patent's Validity

Walter W. Brown

**[Judges: Linn (author), Lourie, and Clevenger]**

In *Gabrielidis v. Prince Sports Group, Inc.*, No. 99-1469 (Fed. Cir. Nov. 1, 2000) (nonprecedential decision), the Federal Circuit affirmed a district court grant of SJ invalidating the patent in suit for obviousness.

Pericles Gabrielidis ("Gabrielidis") owns U.S. Patent No. 5,383,662 ("the '662 patent"), which is directed to a tennis racquet with an improved pattern of strings. The '662 patent includes both apparatus and method claims directed to a staggered (or splayed) string pattern whereby string holes are mounted above and below the string plane of the racquet. The resulting strings diverge from the string plane at the point of attachment at the string hole, creating a splayed string pattern that acts to strengthen the racquet frame, increase hitting power, and decrease vibration.

The district court, in examining the prosecution history of the '662 patent, had determined that the Examiner had granted the patent because the prior art did not disclose a splayed pattern wherein consecutive strings (either horizontal or vertical across the racquet frame) are anchored on the same side of the string plane. In contrast, two prior art references, Martel and Svoma, only disclose consecutive strings which are anchored in alternating planes. The district court granted SJ in favor of Prince Sports Group, Inc. ("Prince"), finding that all of the claims of the '662 patent were obvious over the Martel reference in view of Prince's own allegedly infringing racquet, which itself was prior art to the '662 patent.

Unlike the district court, the Federal Circuit relied on Svoma because it specifically states that the pertinent aspect of his invention is the stringing system that can be applied to other racquet frames not disclosed in the patent. The Court further noted that one such frame would be the allegedly infringing Prince racquet prior art.

The Court reasoned that although neither Svoma nor Martel discloses consecutive strings

anchored on the same side of the stringing plane, application of the Svoma and Martel string techniques to the Prince racquet frame, as suggested in Svoma, results in consecutive strings being anchored on the same side of the stringing plane in several places on the racquet when proper stringing techniques are used. Moreover, the Court was not convinced by Gabrielidis's additional arguments concerning secondary considerations of nonobviousness, including commercial success and long-felt need.

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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
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
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
SM	Special Master
SJ	Summary Judgment