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LAST MONTH AT THE FEDERAL CIRCUIT

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SPOTLIGHT INFO:

In *Princo Corp. v. ITC*, No. 07-1386 (Fed. Cir. Apr. 20, 2009), the Federal Circuit affirmed the ITC's finding that Princo Corporation ("Princo") failed to meet its burden of proving that U.S. Philips Corporation ("Philips") committed patent misuse by conditioning the licensing of an essential patent upon a license to an allegedly nonessential patent. Specifically, the patents-in-suit relate to a technical standard regarding the manufacture of compact discs. Philips, on behalf of itself and three other companies, administered and licensed a pool of patents relating to the technical standard. Included in the patent pool was one patent that was not directly covered by the standard. But the Federal Circuit found that patent was a blocking patent to which an objective manufacturer would reasonably believe a license might be necessary to practice the technology. The Court therefore considered the patent to be essential to the standard and affirmed the ITC's rejection of Princo's patent misuse claim on the basis of unlawful tying. At the same time, however, the Federal Circuit reversed and remanded the ITC's rejection of Princo's other patent misuse claim that Philips unlawfully entered into an agreement with Sony not to license the blocking patent as competing technology of the standard. The Court remanded for further findings to determine whether such an agreement occurred. See full summary below.

An Assignment Transferring "Any and All" CIPs of a Patent Is Ambiguous and May Exclude a CIP of the Patent That Issued Before the Assignment Was Executed

Ariana G. Woods

Judges: Newman (concurring-in-part and dissenting-in-part), Lourie, Linn (author)

[Appealed from N.D. Ohio, Judge Boyko]

In *Euclid Chemical Co. v. Vector Corrosion Technologies, Inc.*, No. 08-1170 (Fed. Cir. Apr. 1, 2009), the Federal Circuit vacated the district court's grant of partial SJ that U.S. Patent No. 6,217,742 ("the '742 patent") was assigned to Vector Corrosion Technologies, Inc. ("Vector"). The Court also vacated the district court's holding that Euclid Chemical Company ("Euclid") abandoned its claim that it was a bona fide purchaser of the '742 patent.

Euclid brought a DJ action concerning patents purportedly owned by Vector. Euclid sought DJ that a December 20, 2001, agreement ("the Assignment") did not transfer the '742 patent to Vector and that Euclid was a bona fide purchaser for value of the '742 patent. Vector moved for partial SJ that it owned by assignment the '742 patent.

The Assignment states that Vector was assigned the inventor's "US, Canadian, and European

applications for patents and issued US patent, namely," U.S. Patent No. 6,033,553 ("the '553 patent") and "any and all . . . continuations in part together with the entire right, title and interest in and to said applications, any and to all divisional applications, continuations, and continuations in part thereof, . . . and any and all Letters Patent which may issue or be reissued for said invention . . ." Slip op. at 3-4. At the time of the Assignment, the '742 patent had already issued from a CIP of the '553 patent.

The district court granted Vector's motion for partial SJ, holding that the plain and unambiguous language of the Assignment transferred all rights in the '553 patent and any and all CIPs thereof (including the '742 patent) to Vector. Furthermore, because the district court held that the Assignment was unambiguous, it concluded that, under Ohio law, it could not consider extrinsic evidence to interpret the Assignment.

On appeal, the Federal Circuit began by noting that there were at least two reasonable interpretations of the language of the Assignment. Under one interpretation, the Assignment included the '742 patent because it issued from a CIP of the '553 patent. However, the Federal Circuit also explained that the Assignment included language that excluded the '742 patent because it was already an issued patent, not an application, at the time of the Assignment. In particular, the Court noted that the Assignment referred to "applications" (plural) but to "issued U.S. patent" (singular). The Court

stated that “[h]ad the assignee intended, through the assignment of ‘continuations in part’ to assign other issued U.S. patents, it would be expected that the Assignment would have said that the inventor was assigning his ‘issued US patents’—plural—and even recited the patent number of the issued ‘742 patent.” *Id.* at 7.

“[W]here a contract is ambiguous, a court may consider extrinsic evidence to ascertain the parties’ intent” Slip op. at 6 (emphasis omitted) (quoting *Westfield Ins. Co. v. Galatis*, 797 N.E.2d 1256, 1261 (Ohio 2003)).

Based on the Federal Circuit’s finding that the Assignment was susceptible to at least two reasonable interpretations, the Court held that the Assignment was ambiguous under Ohio law; thus, the district court should have considered extrinsic evidence to ascertain the parties’ intent. Accordingly, the Court reversed the district court’s grant of SJ and remanded for a determination of whether the Assignment, interpreted in light of relevant extrinsic evidence, transferred ownership of the ‘742 patent to Vector.

With respect to the district court’s holding that Euclid abandoned its bona fide purchaser claim, the Federal Circuit explained that the facts upon which the district court relied in its decision did not support this holding. In particular, the Court found that Euclid’s failure to move for SJ on the bona fide purchaser claim did not indicate an intent to abandon that claim. Furthermore, the Court noted that Euclid was under no obligation to address its bona fide purchaser argument in detail in its opposition to Vector’s motion for SJ. Accordingly, the Court also vacated the district court’s holding that Euclid abandoned its bona fide purchaser claim and remanded for further proceedings.

In a separate opinion, Judge Newman concurred-in-part and dissented-in-part. Judge Newman agreed that the district court erred in its grant of SJ, but dissented from the majority’s

decision that the issue of contractual intent requires trial. In Judge Newman’s opinion, it is clear that the only reasonable construction of the assignment agreements is that they assigned the specifically listed ‘553 patent and did not assign the previously issued yet unlisted ‘742 patent for a different invention. Accordingly, Judge Newman would hold that the ‘742 patent was not assigned.

Ariad’s Method Claims Held Invalid for Lack of Written Description, but Held Enforceable

Daniel A. Nadel

Judges: Linn (concurring), Prost, Moore (author)

[Appealed from D. Mass., Judge Zobel]

In *Ariad Pharmaceuticals, Inc. v. Eli Lilly & Co.*, No. 08-1248 (Fed. Cir. Apr. 3, 2009), the Federal Circuit reversed the district court and granted Eli Lilly and Company’s (“Lilly”) motion for JMOL that Ariad Pharmaceuticals, Inc.’s (“Ariad”) U.S. Patent No. 6,410,516 (“the ‘516 patent”) failed to meet the written description requirement of 35 U.S.C. § 112.

Ariad had sued Lilly, alleging that Lilly’s Evista and Xigris products infringed certain claims of the ‘516 patent, and a jury found that the asserted claims were both valid and infringed. The district court also held a separate bench trial, after which it found no inequitable conduct and that the claims complied with 35 U.S.C. § 101. Lilly appealed these decisions on numerous grounds, including that the broad claims of the ‘516 patent were not adequately supported by 35 U.S.C. § 112.

On appeal, Lilly argued that although the inventors of the ‘516 patent broadly sought to cover all methods for inhibiting NF-κB (a naturally occurring transcription factor) in a cell, the inventors did not provide a single example where they actually inhibited NF-κB or describe any actual molecules capable of doing so. In response, Ariad argued that it did not need to describe any actual molecules

because they were not specifically recited in the claims and that it was entitled to broadly claim methods of reducing NF-κB activity without describing the necessary molecules. The Federal Circuit rejected Ariad's argument, holding that whether or not the claims recite a compound, the patentee must still describe some way of performing the claimed methods by sufficiently disclosing and describing the molecules capable of reducing NF-κB activity.

The Court specifically analyzed the '516 patent's disclosure and found that its functional descriptions of unknown molecules thought to inhibit NF-κB were insufficient. First, its description of a specific inhibitor molecule of NF-κB amounted to no more than a "vague functional description and an invitation for further research [that] does not constitute written disclosure of a specific inhibitor." Slip op. at 12. Second, as to dominantly interfering molecules, the Court held that the specification contained no example of such a molecule and failed to adequately describe properties essential for these molecules to function. Third, the Court held that although the specification disclosed specific exemplary sequences for the decoy molecules, the '516 patent did not describe how the decoy molecules would actually reduce NF-κB activity. Accordingly, the Court held that the specification of the '516 patent did not provide adequate written description support for the "vast scope" of the broad claims asserted against Lilly:

Ariad sought and obtained the broad claims we now hold to be invalid. For its own reasons, Ariad maintained the breadth of these claims through claim construction and into trial. . . . [A]s it stands, Ariad chose to assert claims that are broad far beyond the scope of the disclosure provided in the specification of the '516 patent. Cf. *Liebel-Flarsheim Co. v. Medrad, Inc.*, 481 F.3d 1371, 1380 (Fed. Cir. 2007) ("The motto, 'beware of what one asks for,' might be applicable here.").

Slip op. at 16.

Finally, the Federal Circuit upheld the district court's finding of no inequitable conduct based on a lack of clear and convincing evidence of intent to deceive. First, the Court considered whether an intent to deceive could be inferred where an undisputedly inaccurate yet material figure in the specification was never corrected, even when the in-house attorney and one prosecuting attorney had knowledge of the error. The Court held that without "more evidence of deliberate concealment," the circumstances did not support an inference of intent to deceive. *Id.* at 20. Second, the Court found that a named inventor's failure to submit four material references to the PTO did not amount to inequitable conduct when the inventor had "plausible, even if ultimately legally incorrect" reasons for withholding the references. *Id.* at 22.

In a concurring opinion, Judge Linn agreed with the invalidity result, finding it consistent with Court precedent. He expressed dissatisfaction, however, with the written description requirement generally, suggesting that the Court should have instead decided the case based on "the important enablement issue raised by Lilly," i.e., whether claims written broadly enough to cover all methods for achieving a particular result could be enabled under § 112. Linn Concurrence at 2-3. According to Judge Linn, this alternate invalidity argument was left unresolved in the present case, and it has never been specifically addressed by the Court.

The "Obvious to Try" Rationale May Provide the Basis for an Obviousness Rejection After KSR

Jeffery P. Langer

Judges: Rader (author), Friedman, Linn

[Appealed from Board]

In *In re Kubin*, No. 08-1184 (Fed. Cir. Apr. 3, 2009), the Federal Circuit affirmed the Board's rejection of the claims of U.S. Patent Application Serial No. 09/667,859 ("the '859 application") to Marek Kubin and Raymond Goodwin (collectively "appellants") as obvious under 35 U.S.C. § 103(a).

The '859 application related to the isolation and sequencing of a human gene that encodes a particular domain of a protein. Specifically, the '859 application claimed DNA molecules that encode the protein known as the Natural Killer Cell Activation Inducing Ligand ("NAIL"). Natural Killer ("NK") cells are a class of cytotoxic lymphocytes that play a major role in fighting tumors and viruses. NAIL is a specific receptor protein that plays a role in activating NK cells.

"This court cannot, in the face of *KSR*, cling to formalistic rules for obviousness, customize its legal tests for specific scientific fields in ways that deem entire classes of prior art teachings irrelevant, or discount the significant abilities of artisans of ordinary skill in an advanced area of art." Slip op. at 16-17.

The specification recited an amino acid sequence and a polynucleotide sequence of a NAIL polypeptide. The appellants also contended that they had discovered a binding relationship between NAIL and a CD48 protein. The NAIL-CD48 interaction has important biological consequences for NK cells, including an increase in cell cytotoxicity and in production of interferon. Representative claim 73 recited a genus of isolated polynucleotides encoding a protein that binds CD48 and is at least 80% identical to the disclosed amino acid sequence for the CD48-binding region of NAIL.

The Board rejected the claims under § 112 for inadequate written description. The Board also rejected the claims as obvious over the combined teachings of U.S. Patent No. 5,688,690 ("Valiante") in view of 2 Joseph Sambrook et al., *Molecular Cloning: A Laboratory Manual* 43-84 (2d ed. 1989) ("Sambrook"). The Board also considered another reference ("Mathew") that it found to be cumulative to Valiante and Sambrook. The appellants appealed the Board's decision.

On appeal, the appellants argued the record does not contain substantial evidence to support the Board's conclusion that the appellants' methodology of isolating NAIL DNA was essentially the same as the methodologies and teachings of Valiante and Sambrook. The Federal Circuit noted that any putative difference in the prior art's and appellants' processes does not directly address the obviousness of representative claim 73, which claims a genus of polynucleotides. Nevertheless, the Federal Circuit held that the Board had substantial evidence to conclude that the appellants used conventional methods, as taught by Valiante and Sambrook, to isolate a gene sequence for NAIL. The Court also found substantial evidence supports the Board's finding that the Mathew reference reinforces the relative ease of deriving the claimed sequence following the teachings of the prior art. The Court further noted that Mathew did not "teach away" from combining its teachings with Valiante.

The Federal Circuit then addressed the Board's application of an "obvious to try" rationale in its obviousness rejection. The Court held that such an inquiry was now proper in view of *KSR International Co. v. Teleflex Inc.*, 550 U.S. 398 (2007). The Federal Circuit then revisited its findings regarding the "obvious to try" doctrine set forth in *In re Deuel*, 51 F.3d 1552 (Fed. Cir. 1995). In *Deuel*, the Court indicated that "obvious to try" was not an appropriate test for obviousness. The Federal Circuit stated that the Supreme Court in *KSR* had "unambiguously discredited" the holding in *Deuel* with respect to the "obvious to try" doctrine. Slip op. at 12-13. Given the Supreme Court's admonition against a "formalistic approach to obviousness in this context," the Federal Circuit resurrected its holding in *In re O'Farrell*, 853 F.2d 894, 903 (Fed. Cir. 1988). Slip op. at 14.

To differentiate between proper and improper applications of "obvious to try," *O'Farrell* set out two classes of situations where "obvious to try" would be erroneously equated with obviousness. In *Kubin*, the Court stated that the first situation where a finding of obviousness would not be established is where an inventor merely throws "metaphorical darts at a board filled with combinatorial prior art possibilities"

without providing any guidance or direction as to which of many possible choices is likely to be successful. *Id.* According to the *Kubin* decision, the Supreme Court encapsulated the inverse of this proposition, stating that “where a skilled artisan merely pursues ‘known options’ from a ‘finite number of identified, predictable solutions,’ obviousness under § 103 arises.” *Id.* (citing *KSR*, 550 U.S. at 421). The second situation occurs where what was “obvious to try” was to explore a promising new technology, where the prior art gave only general guidance as to the particular form of the claimed invention or how to achieve it. The Federal Circuit reasoned that the Supreme Court affirmed the logical inverse of this statement as well, stating that § 103 bars patentability unless “the improvement is more than the predictable use of prior art elements according to their established functions.” *Id.* at 15 (quoting *KSR*, 550 U.S. at 417).

The Federal Circuit then found that the prior art disclosed the protein of interest, a motivation to isolate the gene coding for that protein, and illustrative instructions to use a monoclonal antibody specific to the protein for cloning the gene. The Court held that the record showed that a skilled artisan would have had reasonable expectation of success in deriving the claimed invention in light of the teachings of the prior art.

The Court then noted that it declined to limit *KSR* to the “predictable arts” (as opposed to the “unpredictable art” of biotechnology). It held that, at any rate, the record showed that one of skill in that advanced art would find the claimed results predictable. Therefore, the Court held that it cannot, “in the face of *KSR*, cling to formalistic rules for obviousness, customize its legal tests for specific scientific fields in ways that deem entire classes of prior art teachings irrelevant, or discount the significant abilities of artisans of ordinary skill in an advanced area of art.” *Id.* at 16-17.

Here, the Court noted that because the prior art did not explicitly disclose the amino acid sequence for the NAIL protein or a DNA sequence for the NAIL gene, the invention represented some minor advance in the art. But the Federal Circuit stated that allowing such

minor advances to be patentable might stifle further innovation in this field. Thus, the Federal Circuit concluded that the claimed invention was reasonably expected in light of the prior art and was obvious to try.

Having reached its decision on these grounds, the Court did not address the issue of invalidity under 35 U.S.C. § 112, ¶ 1 for lack of written description.

Covenant Not to Sue Exhausted Patent Rights Against Downstream Customer and Estopped Enforcement of Later-Issued, Broader Patent

Ming-Tao Yang

Judges: Gajarsa (author), Dyk, Moore

[Appealed from N.D. Tex., Judge Kinkeade]

In *TransCore, LP v. Electronic Transaction Consultants Corp.*, No. 08-1430 (Fed. Cir. Apr. 8, 2009), the Federal Circuit affirmed the district court’s grant of SJ that patent infringement claims were barred by patent exhaustion, implied license, and legal estoppel in view of a settlement agreement between the patentee and the supplier of the accused products.

TransCore, LP and TC License, Ltd. (collectively “TransCore”) manufacture, sell, and install automated toll-collection systems, such as E-Z Pass, and own several patents directed to the technology, including U.S. Patent Nos. 5,805,082 (“the ‘082 patent”); 5,289,183 (“the ‘183 patent”); 5,406,275 (“the ‘275 patent”), and 6,653,946 (“the ‘946 patent”) (collectively “the asserted patents”). In 2000, TransCore sued one of its competitors, Mark IV Industries (“Mark IV”), for infringement of three of the asserted patents. The parties entered into a settlement agreement (“the TransCore-Mark IV agreement”).

In the TransCore-Mark IV agreement, TransCore “covenants not to bring any demand, claim, lawsuit, or action against Mark IV for future

infringement” of certain patents. Slip op. at 2. Specifically, TransCore’s covenant language covers ten U.S. patents, including three of the asserted patents, but specifically excludes other patents issued as of the effective date of the TransCore-Mark IV agreement or to be issued in the future. The TransCore-Mark IV agreement also provides that “[n]o express or implied license or future release whatsoever is granted to MARK IV or to any third party by this Release.” *Id.* at 3.

“Legal estoppel refers to a narrow[] category of conduct encompassing scenarios where a patentee has licensed or assigned a right, received consideration, and then sought to derogate from the right granted.” Slip op. at 12 (alteration in original) (quoting *Wang Labs., Inc. v. Mitsubishi Elecs. Am., Inc.*, 103 F.3d 1571, 1581 (Fed. Cir. 1997)).

In 2005, TransCore sued Electronic Transaction Consultants Corp. (“ETC”) for infringement of the asserted patents. ETC engaged in consulting and systems integration related to toll-collection systems and won a bid with the Illinois State Toll Highway Authority (“ISTHA”), in which ETC agreed to set up and test toll-collection systems that ISTHA purchased from Mark IV. ETC moved for SJ, asserting that its activities were permitted by the TransCore-Mark IV agreement under the doctrines of patent exhaustion, implied license, and legal estoppel. Seeking to limit the scope of its covenant not to sue, TransCore proffered at the district court evidence of the parties’ intent not to provide downstream rights to Mark IV’s customers. The district court excluded TransCore’s parol evidence and granted ETC’s motion for SJ.

On appeal, the Federal Circuit first reminded that the Supreme Court recently reiterated that “[t]he longstanding doctrine of patent exhaustion

provides that the initial authorized sale of a patented item terminates all patent rights to that item.” *Id.* at 4 (quoting *Quanta Computer, Inc. v. LG Elecs., Inc.*, 128 S. Ct. 2109, 2115 (2008)). Thus, the Court considered whether the TransCore-Mark IV agreement authorized sales by Mark IV for purposes of patent exhaustion and concluded that it did.

In so doing, the Court rejected TransCore’s argument that sales under a covenant not to sue are not “authorized” under *Jacobs v. Nintendo of America, Inc.*, 370 F.3d 1097 (Fed. Cir. 2004). In *Jacobs*, the Court considered the contracting party’s intent in assessing downstream customer liability in the context of an implied license analysis. The Court distinguished this from *Quanta*, in which the Supreme Court explained that “the parties’ intent with respect to downstream customers is of no moment in a patent exhaustion analysis.” Slip op. at 5 (citing *Quanta*, 128 S. Ct. at 2122).

The Federal Circuit also reminded that “one cannot convey what one does not own.” *Id.* Specifically, the Court stated that “a patentee, by license or otherwise, cannot convey an affirmative right to practice a patented invention by way of making, using, selling, etc.; the patentee can only convey freedom from suit.” *Id.* at 6. The Court explained that it and its predecessors have on numerous occasions explained that a nonexclusive patent license is equivalent to a covenant not to sue. Thus, the Court concluded that the question on appeal was whether the TransCore-Mark IV agreement authorizes sales. The Court concluded that it did because the language of the TransCore-Mark IV agreement was unambiguous in authorizing all acts that would otherwise be infringing, i.e., making, using, offering for sale, selling, or importing.

The Court disagreed with TransCore that the district court abused its discretion in excluding parol evidence of TransCore’s and Mark IV’s intent at the time they entered into the TransCore-Mark IV agreement. In so doing, the Court applied Fifth Circuit law, which requires that “unless the trial court has abused its discretion and a substantial right of the defendant has been affected,” the decision will not be reversed on

the basis of an evidentiary rule in question. *Id.* at 9 (quoting *United States v. Saldana*, 427 F.3d 298, 306 (5th Cir. 2005)). The Court found that the district court's decision to exclude TransCore's parol evidence had not affected any of TransCore's substantial rights.

Moreover, the Court found that California law, which governed the TransCore-Mark IV agreement, prohibits the admission of parol evidence "to insert an additional term into a written contract, if the contract is a complete and exclusive statement of the terms of the agreement." *Id.* (quoting Cal. Civ. Proc. Code § 1856(b)). The Court also found that California law prohibits the admission of parol evidence "to influence the meaning of contract terms where no ambiguity exists." *Id.* at 9-10 (quoting Cal. Civ. Proc. Code § 1856(g)). For these reasons, the Court found no error in the district court's decision not to admit the parol evidence.

The Court also considered whether any material facts remained in dispute and concluded they did not. TransCore argued that the sale to ISTHA occurred in Canada rather than the United States, and the sale was by Mark IV US, not Mark IV. The Court found no dispute that a Mark IV entity was responsible for the sale and that toll-collection products were sold and shipped to ISTHA in the United States.

Finally, the Federal Circuit considered whether TransCore's rights to the later-issued '924 patent, which was not identified in the TransCore-Mark IV agreement, were exhausted by Mark IV's authorized sales under an implied license to practice the '924 patent by virtue of legal estoppel. The Court concluded that, because it was undisputed that the '946 patent was broader than, and necessary to practice, at least one of the patents included in the TransCore-Mark IV agreement, TransCore was legally estopped from asserting the '946 patent against Mark IV under the principles articulated in *AMP Inc. v. United States*, 389 F.2d 448 (Ct. Cl. 1968), and *Wang Laboratories, Inc. v. Mitsubishi Electronics America, Inc.*, 103 F.3d 1571 (Fed. Cir. 1997). Specifically, the Federal Circuit reiterated that "[l]egal estoppel refers to a narrow[] category of conduct encompassing scenarios where a patentee has licensed or assigned a right, received consideration, and then sought to

derogate from the right granted." Slip op. at 12 (second alteration in original) (quoting *Wang Labs.*, 103 F.3d at 1581).

The Federal Circuit agreed with the district court that, in order for Mark IV to obtain the benefit of its bargain with TransCore, it must be permitted to practice the '946 patent to the same extent it may practice the other three asserted patents. Thus, the Court concluded that Mark IV was an implied licensee of the '946 patent and that TransCore was legally estopped from asserting the '946 patent against Mark IV. For these reasons, the Court concluded that Mark IV's sales to ISTHA were authorized and exhausted TransCore's patent rights in the products sold.

Prosecution History Estoppel Bars Patentee from Relying on DOE

Krista E. Bianco

Judges: Rader, Friedman, Linn (author)

[Appealed from D. Kan., Judge Murguia]

In *Felix v. American Honda Motor Co.*, No. 08-1367 (Fed. Cir. Apr. 10, 2009), the Federal Circuit affirmed the district court's grant of SJ of no literal infringement and no infringement under the DOE, holding that the doctrine of prosecution history estoppel precluded a finding of infringement by equivalents.

Mark D. Felix owns U.S. Patent No. 6,155,625 ("the '625 patent"), which relates to a built-in storage compartment for a pickup truck bed. Felix brought suit against American Honda Finance Corporation, American Honda Motor Company, Inc., Honda of America Manufacturing, Inc., Honda of Canada, Inc., Honda R & D Americas, Inc., and Honda Trading America Corporation (collectively "Honda"), alleging that the In-Bed Trunk of Honda's Ridgeline truck infringed claim 6 of the '625 patent. The district court granted SJ of no literal infringement, finding that Honda's In-Bed Trunk did not contain the asserted claim limitation of a gasket mounted to the flange. The district court also granted SJ of no infringement under the DOE, finding prosecution history estoppel prevented

Felix from asserting infringement of the gasket limitation under the DOE. Felix appealed the district court's claim construction and grants of SJ.

“We therefore hold that the presumption of prosecution history estoppel attaches when a patentee cancels an independent claim and rewrites a dependent claim in independent form for reasons related to patentability, even if the amendment alone does not succeed in placing the claim in condition for allowance.” Slip op. at 21-22.

First, the Federal Court rejected Felix's arguments that the district court incorrectly construed the claim terms "mounted" and "engaging." Felix argued that "mounted" should be construed to mean "positioned" instead of the district court's construction of "securely affixed or fastened to." In support of this argument, Felix cited the consistent use of the words "mounted" or "mounting" in the claims, the specification's discussion of welding as a nonlimiting example of "mounting," dictionary definitions of "mounted," and the use of the preposition "on" in the phrase "weathertight gasket mounted on said flange." The Court held that nothing in the claims or specification requires or suggests that "mounted" means simply "positioned," noting that if the claimed structures were merely positioned, the law of gravity would cause the structures to fall off. Moreover, both of the examples of the types of mounting discussed in the specification are examples of securely affixing or fastening two structures together. Next, the Court found that some of the dictionary definitions cited by Felix were at best highly misleading and bordered on a misrepresentation to the Court since, by omitting part of the definition in his quotations without indicating so, Felix had distorted the meaning of the cited definition. Finding that the accurately quoted definitions supported the district court's construction, the Court adopted the district court's construction.

Next, the Court reviewed the district court's construction of the claim term "engaging" to mean "coming together and interlocking." Felix argued for a broader construction of "contacting or bringing together," based on a dictionary definition that the Court again found misleading and drawings in the '625 patent showing the gasket merely coming into contact with the lid. The Court held that nothing in the drawings was inconsistent with the gasket "interlocking" the lid when the lid is closed. Although the Court rejected all of Felix's arguments, the Court concluded that the district court erred by construing "engaging" to require "interlocking" because the specification made clear that the gasket engaged the lid by forming a seal. Because the Court found no basis for the district court's additional limitation that "engaging" means "interlocking" in the specification or prosecution history, the Court modified the district court's construction of "engaging" to mean "coming together to form a seal." However, the Court found that the error was harmless because it did not affect the district court's determinations of either literal infringement or infringement under the DOE.

Based on its claim construction, the Court next reviewed the district court's grant of SJ. Felix argued that the gasket of the In-Bed Trunk is affixed to the flange when the lid is closed, meeting the claim limitation requiring the gasket to be "mounted" on the flange when the lid is "in its closed position." Analyzing the claim language, the Court held that the gasket must be "mounted on said flange" whether or not the lid is "in its closed position." Finding that the gasket of Honda's In-Bed Trunk was not securely affixed or fastened to the flange, the Court affirmed the grant of SJ of no literal infringement.

Finally, the Court rejected Felix's argument that he rebutted the presumption of prosecution history estoppel by showing that the narrowing amendment made during prosecution giving rise to the estoppel was tangential. The Court first considered whether the amendment adding the gasket limitation gave rise to a presumption of surrender. During prosecution, in response to an obviousness rejection, Felix canceled an independent claim without replacing it with any claim reciting the same subject matter and rewrote a dependent claim containing both a

channel limitation and a gasket limitation into independent form. The amendment did not overcome the examiner's rejection, and the rewritten claim was again rejected. In a second amendment, Felix canceled the rewritten claim containing the channel and gasket limitations without replacing it and rewrote another dependent claim incorporating all of the canceled limitations plus an additional limitation. The newly rewritten claim was allowed and subsequently issued as the asserted claim. Even though the first narrowing amendment did not succeed and a further amendment was required to place the claim in allowable form, the Court held that the presumption of prosecution history estoppel still attached since it is the patentee's response to a rejection that gives rise to prosecution history estoppel, not the examiner's ultimate allowance of a claim. In addition, the Court found it immaterial that the cancellation and amendment were to different claims than those which resulted in the asserted claim.

Turning to the scope of the presumptive surrender, the Court held that equivalents were therefore presumptively not available as to any of the limitations added in Felix's first amendment. Noting that it was immaterial that Felix chose to add both the channel and gasket limitations rather than just the channel limitation Felix argued was necessary, the Court held that Felix was presumptively barred from relying on the DOE to prove that Honda's In-Bed Trunk meets the gasket limitation.

Next, the Court considered Felix's argument that he has rebutted the presumption of prosecution history estoppel as to the gasket limitation because the narrowing amendment was tangential. The Court rejected Felix's argument that the first amendment was made because the applicant thought the prior art lacked a channel, not because of the presence or position of a gasket. The Court then held that it was not objectively apparent from this argument that the channel was the only reason for canceling the original independent claim and rewriting the dependent claim in independent form. The Court explained that if Felix had intended only to add a channel and not add a

gasket, he could easily have simply amended the independent claim to add that limitation. The Court affirmed the district court's SJ of no infringement under the DOE.

Later Developments in the Art May Inform the "Patentably Distinct" Determination for Double Patenting but Only to the Extent That the Subsequent Developments Predate the Secondary Application That Triggers a Double Patenting Rejection

Sulay D. Jhaveri

Judges: Rader (author), Schall (concurring-in-part and dissenting-in-part), Moore

[Appealed from D.D.C., Judge Hogan]

In *Takeda Pharmaceutical Co. v. Doll*, No. 08-1131 (Fed. Cir. Apr. 10, 2009), the Federal Circuit held that the relevant time frame for determining whether a product and process are "patentably distinct" is at the filing date of the later-filed application. However, as genuine issues of fact clouded the date of availability of materially distinct processes, as well as the viability of those processes, the Court vacated the district court's ruling and remanded for further proceeding.

In 1975, Takeda Pharmaceutical Company, Ltd. ("Takeda") filed a primary application claiming priority to a 1974 Japanese patent application, covering certain cephem compounds, which issued as U.S. Patent No. 4,098,888 ("the '888 patent"). In 1979, Takeda filed a divisional application covering cephem compounds, which issued as U.S. Patent No. 4,298,606 ("the '606 patent"). In 1990, Takeda filed its secondary application covering the process for making the cephem compounds, which issued

as U.S. Patent No. 5,583,216 (“the ‘216 patent”), claiming the sole process known and disclosed in the Japanese priority patent application.

“[I]n this case, the applicant can rely on subsequent developments in the art up to . . . the filing date of the secondary application, in order to show a patentable distinction between the cephem compounds claimed in the ‘606 product patent and the process for making those compounds claimed in the ‘216 process patent.” Slip op. at 10.

In 1998, the PTO received two anonymous requests for reexamination of the ‘216 patent, asserting that it was invalid for “obviousness-type” double patenting. During reexamination, Takeda relied on the declaration of Dr. Wuest disclosing an alternative process (displacement process) for making the cephem compounds claimed in the ‘216 patent. The examiner rejected the ‘216 patent claims as patentably indistinct over the ‘606 patent claims. Takeda appealed to the Board. The Board rejected the Wuest declaration as speculative. Takeda challenged the Board’s decision in the District Court for the District of Columbia. In those proceedings, Takeda presented new evidence in the form of a declaration of Dr. Duggan, which explained that the process disclosed in two other patents provided a viable alternative, noninfringing process for making the cephem compounds claimed in the ‘606 patent. The parties stipulated that the method in the Duggan declaration described a materially distinct alternative process. The district court concluded that “subsequent developments in the art [are relevant to] determining whether alternative processes exist” when weighing patentable distinctions for double patenting. Slip op. at 4 (alteration in original) (quoting *Takeda Pharm. Co. v. Dudas*, 511 F. Supp.

2d 81, 91 (D.D.C. 2007)). As a result, the district court overturned the double patenting rejection and granted Takeda’s motion for SJ that it was entitled to a reexamination certificate. The PTO appealed.

On appeal, the Federal Circuit recognized that the novel legal question in this case is whether later-developed alternative processes are relevant in the product-process “patentably distinct” inquiry. The PTO argued that the date of invention governs the relevance of products and processes in the double patenting context. Takeda argued that a court can look to processes developed after the date of invention. Takeda relied on a district court case that considered a process developed in 1954, one year after the date of invention, and “decline[d] to conduct the double patenting analysis with blinders so as to avoid recognition or discourage disclosure of advances in process technology as a means of making a product patent.” *Id.* at 7 (quoting *Phillips Petroleum Co. v. U.S. Steel Corp.*, 604 F. Supp. 555 (D. Del. 1985)). Takeda argued that, because the *Phillips* case had been affirmed by the Federal Circuit, that case affirmatively rejected the PTO’s exact “date of invention” position. The Court recognized, however, that the Federal Circuit’s affirmance of *Phillips* without addressing the issue of double patenting did not constitute precedent to be followed in a subsequent case in which the issue arises.

The Federal Circuit found neither party’s approach persuasive. The Court recognized that the secondary application actually triggers the potential of an “unjustified extension of patent term,” and that when filing the secondary application, the applicant essentially avers that the product and process are patentably distinct. Thus, the Court concluded that the relevant time frame for determining whether a product and process are patentably distinct should be at the filing date of the secondary application. The Court articulated that this rule gives the applicant the benefit of future developments in the art to rely on to show that the product and process are “patentably distinct.” At the same time, this approach prevents the inequitable situation that arises when an applicant attempts to rely

on developments occurring decades after the filing date of the secondary application. The Court further reasoned that this approach should encourage the swift development of materially distinct, alternative processes.

Ultimately, the Court held that genuine issues of material fact existed with respect to (1) the viability of the displacement process from the Wuest declaration, and (2) the disclosure date of the method described in the Duggan declaration. Accordingly, the Court vacated and remanded for further factual development.

Judge Schall concurred-in-part but dissented-in-part from the majority's decision allowing Takeda to use developments in the art that post-date the date of invention in arguing against the obviousness-type double patenting rejection.

Participants at Trade Shows in the United States Who Display Potentially Infringing Products Are Subject to the Jurisdiction of Federal Courts Under the Due Process Clause

Bradley E. Edelman

Judges: Schall (author), Friedman, Bryson

[Appealed from S.D. Cal., Judge Lorenz]

In *Synthes (U.S.A.) v. G.M. dos Reis Jr. Ind. Com. de Equip. Medico*, No. 08-1279 (Fed. Cir. Apr. 17, 2009), the Federal Circuit reversed and remanded the district court's dismissal of the suit based on lack of personal jurisdiction over G.M. dos Reis Jr. Ind. Com. de Equip. Medico ("GMReis"), holding that under Fed. R. Civ. P. 4(k)(2), GMReis's contacts within the United States as a whole were sufficient to give a federal district court personal jurisdiction over GMReis.

Synthes (U.S.A.) ("Synthes"), a medical device company with its principal place of business in Pennsylvania, served GMReis, a Brazilian company with headquarters in Brazil, with a

summons and complaint at a trade show in San Diego, California. The complaint accused GMReis of infringing U.S. Patent No. 7,128,744 ("the '744 patent"). The '744 patent covered certain aspects of devices for securing bone plates to immobilize bones to promote healing of fractures.

At the trade show, GMReis displayed samples of five locking bone plates, though they also displayed prominent signs stating that the bone plates were not approved by the FDA and were not for sale in the United States. GMReis also attended seven trade shows in the United States since 2003. GMReis sold one product for veterinary use to a customer in the United States, purchasing some parts and products from the United States for use and sale in Brazil, consulting with two American companies regarding potential purchase and development of components for nonaccused products, and receiving inquiries from two U.S. companies after the 2007 trade show asking whether GMReis's products were available for purchase in the United States, to which GMReis responded they were not.

The district court dismissed the suit, holding that under Fed. R. Civ. P. 4(k)(2), GMReis did not have sufficient contacts within the United States to warrant either general personal jurisdiction or specific personal jurisdiction. Synthes appealed.

The Federal Circuit applied Rule 4(k)(2) based on a three-part test, which permits a court to exercise jurisdiction over a foreign defendant if (1) the claim against the defendant arises under federal law, (2) the defendant is not subject to the personal jurisdiction of any state court of general jurisdiction, and (3) the exercise of personal jurisdiction comports with due process.

The Court stated that the claim arose out of federal law, as it was a claim for patent infringement. Further, the Court noted that neither party disputed GMReis's contention that it is not subject to personal jurisdiction in any forum in the United States. Under these circumstances, the Court applied a due process analysis under Rule 4(k)(2) and considered GMReis's contacts with the nation as a whole.

To determine whether general personal jurisdiction applied, the Court analyzed whether GMReis maintained continuous and systematic general business contacts with the forum, even if the cause of action had no relation to those contacts. The Federal Circuit agreed with the district court that the district court did not have general personal jurisdiction over GMReis based on GMReis's minimal contacts, which included attendance at trade shows, purchases of parts and a machine, the sale of a product for veterinary application to one customer, and a pair of consultations about product development. The Court held these contacts within the United States were not "continuous and systematic general business contacts." Slip op. at 19.

"Interested parties, foreign and domestic, are welcome to attend trade shows in the United States, set up booths, and discuss their products. If, however, . . . a party brings allegedly infringing products to a trade show, we do not see the Due Process Clause of the Fifth Amendment standing in the way of a district court's exercise of jurisdiction over the party." Slip op. at 24.

However, the Court disagreed with the district court's holding that it lacked specific personal jurisdiction over GMReis. The Court determined that by bringing bone plates into the United States and displaying them at a booth at the trade show in San Diego to permit attendees of the meeting to view the plates, GMReis purposefully directed its activities in the United States. The Court noted that although GMReis informed the trade show participants that its products were not for sale, it still purposefully directed its travel into the United States and displayed its products at the trade show attended by U.S. residents.

The Court further determined that the claim for patent infringement arose out of GMReis's activities within the forum, because they arose directly out of GMReis's bringing the locking bone plates into the United States, displaying them at the trade show, and trying to generate interest in the products among attendees of the trade show. The Court noted that the issue of personal jurisdiction did not require a determination that GMReis's activities rose to the level of patent infringement, but merely required a showing that the exercise of jurisdiction over GMReis comports with due process.

Finally, the Court analyzed whether jurisdiction over GMReis was reasonable and fair, relying on five factors: (1) the burden on the defendant, (2) the forum's interest in adjudicating the dispute, (3) the plaintiff's interest in obtaining convenient and effective relief, (4) the interstate judicial system's interest in obtaining the most efficient resolution of controversies, and (5) the shared interest of the states in furthering fundamental substantive policies.

The Court held with respect to factor (1) that any burden on GMReis requiring it to travel the distance between Brazil and the United States was tempered by its willingness and ability in the past to travel to the United States. The Court additionally held that factors (2)-(4) weighed in favor of jurisdiction in this case. Finally, with respect to factor (5), the Court noted, "[T]he forum, the United States, has an interest in furthering the social policy favoring the exchange of technological ideas and business." *Id.* at 24. The Court further noted that interested parties, foreign and domestic, are welcome to attend trade shows in the United States, set up booths, and discuss their products. If, however, a party brings allegedly infringing products to a trade show, the Court did not see the Due Process Clause of the Fifth Amendment standing in the way of a district court's exercise of jurisdiction over the party.

As a result, the Federal Circuit held that the district court had personal jurisdiction over GMReis, reversed the district court's judgment dismissing Synthes's complaint for lack of personal jurisdiction, and remanded the case to the district court for further proceedings.

Packaging Blocking Patent in Patent Pool License Is Not Unlawful Tying, but ITC to Revisit Question of Patent Misuse Based on Price-Fixing Theory

Anita Bhushan

Judges: Bryson (concurring-in-part and dissenting-in-part), Gajarsa, Dyk (author)

[Appealed from ITC]

In *Princo Corp. v. ITC*, No. 07-1386 (Fed. Cir. Apr. 20, 2009), the Federal Circuit affirmed the ITC's determination that Princo Corporation ("Princo") failed to meet its burden of demonstrating that U.S. Philips Corporation's ("Philips") patents are unenforceable due to patent misuse on the ground of tying. The Court, however, vacated and remanded the ITC's finding that an agreement not to license an allegedly nonessential patent as competing technology to the standard did not constitute patent misuse and remanded for further determination.

Philips and three other companies (Sony, Taiyo Yuden, and Ricoh) own patents directed to the manufacture of recordable and rewritable compact discs ("CD-R" and "CD-RW," respectively). Some of these patents cover features necessary for these discs to comply with the "Orange Book," a technical standard that governs the manufacture of CD-R and CD-RW discs to ensure compatibility with CD players and CD-ROM drives installed in commercial electronics products. In the early 1990s, the four companies agreed to pool their Orange Book-related patents. The companies authorized Philips to administer the pool and grant package licenses of the pooled patents to manufacturers wishing to produce Orange Book-compliant compact discs. Licenses to individual patents were not offered.

Princo licensed the package but ceased paying royalties shortly thereafter. Princo then intervened in an ITC proceeding in which Philips alleged that certain manufacturers violated 19 U.S.C. § 1337(a)(1)(B) by importing infringing

compact discs. Princo admitted that its products infringe Philips's patent but contended that Philips improperly expanded the scope of its statutory patent rights through price fixing, price discrimination, and the use of mandatory package licensing to force manufacturers to license "nonessential" pool patents in order to obtain licenses to pool patents that were essential to the manufacture of CD-Rs or CD-RWs.

The ALJ agreed with Princo that Philips's patents were unenforceable due to patent misuse, both per se and under the rule of reason. The ITC affirmed, although on narrower grounds, concluding that Philips's mandatory package licensing constituted misuse per se as a tying arrangement between licenses to patents that were essential and licenses to the four allegedly nonessential patents. Philips appealed and the Federal Circuit reversed, holding that there was no misuse per se or under the rule of reason. The Court remanded, instructing the ITC to address all issues presented by the ALJ's decision.

On remand, Princo focused its arguments on Sony's U.S. Patent No. 4,942,565 ("the '565 patent"), which was included in the patent pool, along with Philips's U.S. Patent Nos. 4,999,825 and 5,023,856 (collectively "the Raaymakers patents"). The Raaymakers patents are undisputedly essential to the Orange Book standard. Both the '565 patent and the Raaymakers patents stemmed from Sony and Philips's joint effort to develop recordable compact disc technology. During this development, Philips proposed an analog solution covered by the Raaymakers patents, while Sony proposed a digital solution covered by the '565 patent. Philips and Sony defined the Orange Book standard using Philips's solution disclosed in the Raaymakers patents. A license to the '565 patent, however, was included in the standard package pool licenses offered to manufacturers, which allowed the use of pool patents only to produce Orange Book-compliant discs. The licenses did not allow use of the '565 patent to produce discs using the digital method for encoding position data disclosed therein.

The ITC reversed the ALJ's patent misuse rulings on two grounds. First, the ITC disagreed with Princo's theory that, because the '565 patent was not essential to the Orange Book standard, it was unlawfully tied to essential patents, including the Raaymakers patents. The ITC also found that Philips did not engage in improper price fixing by agreeing with Sony to make the '565 patent, which covered a potentially competing technology to the Raaymakers patents, unavailable to manufacturers except through the package license that included the Raaymakers patents. Princo appealed.

On appeal, the Federal Circuit first considered Princo's tying argument and whether the ITC improperly rejected it in view of the Federal Circuit's decision in the first of Princo's appeals from the ITC ("*Philips I*"). The Court first reminded that, in *Philips I*, it held that Philips's practice of licensing essential patents in a package could not constitute misuse per se and survived under the rule of reason.

Princo contended in this second appeal that, because the '565 patent is not essential as a blocking patent for purposes of the Orange Book standard, *Philips I* is inapplicable. Citing potential precompetitive benefits of package licensing of patents, the Court disagreed that the '565 patent is not a blocking patent. The Court did not require certainty that the '565 patent is essential; rather, it stated that, "in this context a blocking patent is one that at the time of the license an objective manufacturer would believe reasonably might be necessary to practice the technology at issue." Slip op. at 17. Because legitimate questions existed as to the scope of claim 6 of the '565 patent and its essentiality to the Orange Book standard, the Court concluded that "[c]laim 6, on its face, would have presented an obvious source of concern for an Orange Book manufacturer" and therefore was a blocking patent in this context. *Id.* at 19. Because the '565 patent qualified as an essential patent for purposes of the Orange Book pool and manufacturers taking a package license eliminated the uncertainty of potentially infringing claim 6 of the '565 patent when they manufacture Orange Book-compliant discs, the Court affirmed the ITC's rejection of Princo's misuse claim based on a theory of unlawful tying.

In so doing, the Court rejected Princo's related argument that Philips's licensing practice violates the Supreme Court's teaching in *Zenith Radio Corp. v. Hazeltine Research, Inc.*, 395 U.S. 100, 135 (1969), that "conditioning the grant of a patent license upon payment of royalties on products which do not use the teaching of the patent [is] misuse." (Alteration in original.) In the Court's view, because manufacturers taking a package license including the '565 patent "eliminated the uncertainty of potentially infringing Claim 6 of that patent when they manufacture Orange Book compliant discs," it could not fairly be said that a royalty is paid on products that do not use the teaching of the '565 patent. Slip op. at 21.

"Philips I did not consider, let alone foreclose, arguments based on alleged agreements to prevent the development of a competing alternative technology." Slip op. at 25.

The Court next turned to Princo's price-fixing theory in which Princo contended that, even if the '565 patent properly may be included in the package licenses, Philips committed patent misuse by agreeing with Sony not to license the '565 patent in a way that would allow a competitor to develop, use, or license the '565 patent digital encoding technology to create a competing product to the analog encoding technology covered by the Raaymakers patents. The Federal Circuit concluded that the ITC erred in holding that this claim could not provide a basis for patent misuse under the rule of reason. First, the Court rejected the ITC's reasoning that no misuse occurred under *Philips I* because the '565 patent is a blocking patent and no misuse can flow from including it in the package license. The Federal Circuit found that the ITC read *Philips I* too broadly when the ITC suggested that the '565 patent's status as a blocking patent could immunize an agreement not to compete. The Court noted that its decision in *Philips I* confirmed only that the package licensing of blocking patents is not patent misuse as a form of tying and did not consider whether an

agreement that would prevent the development of alternatives would constitute misuse under a theory of elimination of competition or price fixing. Importantly, the Federal Circuit noted that *Philips I* did not foreclose such an argument and that the essentiality of the '565 patent to the Orange Book standard could not justify a refusal to allow it to be licensed for non-Orange Book purposes.

Next, the Federal Circuit disagreed with the ITC that there had been no showing that Sony and Philips would have competed in the technology licensing market absent the pooling arrangement. The Court rejected as inaccurate the analogy of a merger of two companies offered by Philips and accepted by the ITC. In the Court's view, unlike the alleged agreement not to compete at issue, a merger of two companies has potential countervailing efficiencies that offset potential harms to future competition. The Court found that the agreement alleged by Princo was unlikely to have efficiencies that could not have been achieved equally well through a nonexclusive agreement that would have left open the possibility that the '565 patent technology could have been further developed.

Finally, the Federal Circuit disagreed with the ITC's rejection of Princo's misuse argument on the ground that the '565 patent could not be used in place of the Raaymakers patents to manufacture Orange Book-compliant discs. The Federal Circuit found this irrelevant to Princo's misuse claim, since that claim asserted that the alleged agreement to offer the '565 patent only through the package license harms competition because it is directed to a non-Orange Book technology and could have been a competitive alternative to that technology. The ITC did not determine that the '565 patent was fundamentally incapable of commercialization as part of an alternative standard or whether, absent an agreement to the contrary, the '565 patent could have been developed as part of an alternative technological platform.

The Court concluded that the fact that a patent's disclosed embodiments may not be commercially viable cannot be dispositive under rule of reason analysis. In so doing, the Court rejected Philips's

argument that the '565 patent must already have been developed to the point of commercial viability before misuse could be found. In the Court's view, "horizontal competitors can[not] insulate themselves from misuse liability simply by agreeing to suppress competing technologies before they are fully developed." *Id.* at 30.

Finally, the Court considered whether there was, in fact, an agreement between Sony and Philips to prevent licensing of the '565 patent as a competitor to the Orange Book standard. The Court found that the licenses did not allow the use of the '565 patent to produce discs competitive with the Orange Book. The Court also found evidence that Sony granted Philips an exclusive license to the '565 patent for CD-R purposes, and that Philips agreed not to license the patent except for the manufacture of Orange Book-compliant discs. Moreover, the Court found evidence that Sony itself may have agreed with Philips not to license the '565 patent for non-Orange Book purposes. Because the ITC did not determine whether the parties agreed not to license the '565 patent outside the Orange Book context, the Court remanded, reminding that, if the record contains insufficient evidence to justify a finding that Sony and Philips agreed that the '565 patent would not be licensed as a competitive technology, there would be no misuse under Princo's price-fixing theory.

Dissenting-in-part, Judge Bryson would have affirmed the ITC's final determination without remanding for further findings. With regard to tying, in Judge Bryson's view, the requirement that purchasers take a license to a pool of patents that included the '565 patent could not have adversely affected competition because the '565 patent cannot be used to make an Orange Book-compliant disc. Judge Bryson found that "at most the licensees were required to accept something they did not want and would not have tried to obtain by other means and from other sellers." Bryson Dissent at 2. Further, Judge Bryson concluded that the profit-maximizing price for the license would be the same regardless of how many unwanted patents it contained, as long as it contained all the patents needed to make Orange Book-compliant discs. Judge Bryson also found no unlawful tying under the *Zenith* standard because, unlike in *Zenith*,

Philips did not use the leverage of the Orange Book licenses to increase revenues unrelated to its patent rights.

Judge Bryson also regarded the ITC's factual findings and legal conclusions as sufficient grounds for upholding the ITC's ruling that Princo failed to satisfy its burden of showing patent misuse through a horizontal price-fixing agreement. According to Judge Bryson, rather than present evidence that the '565 patent was a viable potential competitor for the Raaymakers patents, Princo relied on an inference that the '565 patent must have been a potential competitor for Philips's Orange Book patents because, otherwise, Philips would not have allowed Sony to share in the patent pool licensing royalties. Judge Bryson found other reasons for Sony's sharing in the royalties, including evidence that Sony had contributed substantial resources to develop the Orange Book standard. Moreover, Judge Bryson found that the majority's finding, that the '565 patent "qualified as an 'essential' patent for purposes of the Orange Book pool" undermined Princo's price-fixing argument, which was based on the legal rule that "the pooling of non-blocking, substitute patents [is] universally recognized as highly anticompetitive" and is unlawful. *Id.* at 9 (alteration in original). Finally, Judge Bryson found the ITC's finding that Princo failed to demonstrate that, absent the patent pool agreement, Sony would have competed with the Orange Book technology, either directly or by licensing the '565 patent, sufficient to support the ITC's conclusion that the patent pool was not shown to have any anticompetitive effect.

Patent for Glass Sexual Device Held Obvious

Jason M. Webster

Judges: Michel, Bryson, Posner (Circuit Judge sitting by designation, author)

[Appealed from M.D. Fla., Judge Lazzara]

In *Ritchie v. Vast Resources, Inc.* (doing business as Topco Sales ("Topco")), Nos. 08-1528, -1529 (Fed. Cir. Apr. 24, 2009), the Federal

Circuit reversed the district court's finding of infringement and held that the patent-at-issue was obvious under 35 U.S.C. § 103(a).

Plaintiffs Steven Ritchie and David Reynard (collectively "Ritchie") own U.S. Patent No. RE38,924 ("the '924 patent"), the 2005 reissue of U.S. Patent No. 6,132,366, which is directed to what the parties referred to as a "sex aid." The '924 patent claims a "sexual aid . . . fabricated of a generally lubricious glass-based material containing an appreciable amount of an oxide of boron to render it lubricious and resistant to heat, chemicals, electricity and bacterial absorptions." Slip op. at 2 (alteration in original). Until Ritchie began manufacturing the patented sexual devices, glass sexual devices were made out of soda-lime glass, the most common form of glass. The plaintiffs' patented sexual devices, however, contain boron oxide and are made from "borosilicate glass," the glass out of which Pyrex glassware was originally made. The district court found that Topco's product infringed the '924 patent and Topco timely appealed. Ritchie, dissatisfied with the amount of relief granted by the district court, cross-appealed.

On appeal, the Federal Circuit considered only whether the patented invention would have been obvious to persons skilled in the relevant art. First, the Court construed the terms "lubricious" and "appreciable amount" as used in the '924 patent claims. The Court determined that the term "lubricious," as used in the '924 patent, meant slippery, but found that the '924 patent's use of the word was confusing because glass is smooth rather than slippery. Reconciling the confusion, the Court stated that "what is meant is that the glass, because it contains oxide of boron, is smoother than soda-lime glass and therefore becomes slippery with less lubricant than a device made out of soda-lime glass." *Id.* at 2-3. The Court also found the use of the vague term "appreciable amount" of oxide boron to be troublesome. Ultimately, the Court determined that "the plaintiffs are claiming that their invention uses glass that has the amount of boron oxide usually found in borosilicate glass." *Id.* at 3.

The Court noted that Corning Glass Works, the original manufacturer of Pyrex, has been

selling products made from borosilicate glass for almost a century and borosilicate glass has been sold in other products since 1893, when it was first invented. Borosilicate glass has the properties the '924 patent claims, and the Court acknowledged that one can see how those properties might enhance the utility of sexual devices made out of the material.

“And since that is a standard product with well-known properties—including the properties listed in the patent—to experiment with substituting borosilicate glass for ordinary glass in a sexual device was not a venture into the unknown.” Slip op. at 5.

Despite the usefulness of a sexual device crafted out of borosilicate glass, the Court stated that the device is not patentable if it would have been obvious to a person having the relevant technical skills. Despite the commercial value of the patented device, which Ritchie heavily emphasized, and the successful sales of Pyrex products for almost a century, in the Court's view, to call the use of borosilicate glass in a sexual device obvious “may seem the triumph of hindsight over insight.” *Id.* The Court explained that commercial success is deemed a “secondary” indicator of nonobviousness and can have causes unrelated to patentable inventiveness, such as skillful marketing. The Court reminded that “those modest, routine, everyday, incremental improvements of an existing product or process that confer commercial value” sometimes do not involve sufficient inventiveness to merit patent protection. *Id.* at 4. In the Court's view, “this class of inventions is well illustrated by efforts at routine experimentation with different standard grades of a material used in a product—standard

in the sense that their properties, composition, and method of creation are well known, making successful results of the experimentation predictable. This is such a case.” *Id.*

The Federal Circuit acknowledged that a manufacturer might change the composition of a type of glass by adding or subtracting types or amounts of the various components, and the change might not be obvious. The Court found, however, that the '924 patent contains only a vague reference to an “appreciable amount” of oxide boron and does not claim any variant of off-the-shelf borosilicate glass. The Court concluded that, because borosilicate glass is a standard product with well-known properties, including those listed in the '924 patent, “to experiment with substituting borosilicate glass for ordinary glass in a sexual device was not a venture into the unknown.” *Id.* at 5.

The Court next concluded that the case exemplified the Supreme Court's analysis in *KSR International Co. v. Teleflex Inc.*, 550 U.S. 398 (2007), which stated that “if a technique has been used to improve one device, and a person of ordinary skill in the art would recognize that it would improve similar devices in the same way, using the technique is obvious unless its actual application is beyond his or her skill.” Slip op. at 5 (quoting *KSR*, 550 U.S. at 417). The Court also compared the case to *Ball Aerosol & Specialty Container, Inc. v. Limited Brands, Inc.*, 555 F.3d 984 (Fed. Cir. 2009), in which a combination of putting feet on the bottom of a candle holder and using the cover as a base for the candle holder was a predictable variation. The Court further cited *Hotchkiss v. Greenwood*, 52 U.S. (11 How.) 248 (1851), cited approvingly in *KSR*, which denied patentability to an invention consisting of the substitution of a clay or porcelain knob for a metallic or wood knob in a doorknob. Ultimately, the Court reversed the district court with instructions to dismiss the suit.

Claims Need Not Address All Prior Art Problems Set Out in Specification to Satisfy Written Description Requirement

Joshua L. Goldberg

Judges: Michel (author), Bryson, Posner (Circuit Judge sitting by designation)

[Appealed from C.D. Cal., Judge Phillips]

In *Revolution Eyewear, Inc. v. Aspex Eyewear, Inc.*, Nos. 08-1267, -1376 (Fed. Cir. Apr. 29, 2009), the Federal Circuit affirmed the district court's denial of SJ of invalidity of a claim of U.S. Patent No. RE37,545 ("the '545 patent"). Additionally, the Federal Circuit affirmed the district court's grant of SJ of infringement of the '545 patent. The Federal Circuit also affirmed the district court's denial of motions for JMOL, a new trial, and remittitur. Lastly, the Federal Circuit affirmed the district court's denial of a motion for attorneys' fees based on alleged willful infringement of the '545 patent.

The '545 patent is a reissue patent of U.S. Patent No. 5,568,207 ("the '207 patent") and is directed to an eyeglass device including a primary frame and an auxiliary frame for fastening a second set of lenses onto the primary frame. According to the '545 patent, at least two deficiencies existed in prior art frames: the "stable support" issue and the "decreased strength" problem.

Revolution Eyewear, Inc. ("Revolution") sued Aspex Eyewear, Inc. ("Aspex") and Thierry Ifergan for infringement of U.S. Patent No. 6,343,858. Aspex, together with Contour Optik, Inc., Manhattan Design Studio, Inc., and Asahi Optical Co. Ltd. (collectively "Contour"), counterclaimed that Revolution infringed claims 6, 22, and 34 of the '545 patent. The district court dismissed Revolution's infringement action for lack of standing. Additionally, the district court granted Revolution's noninfringement SJ motion as to claims 6 and 34 of the '545 patent, and granted Contour's infringement SJ motion as to claim 22 of the '545 patent. The district court also denied Revolution's invalidity SJ motion as to claim 22 of the '545 patent and allowed the

case to proceed to trial on the damages issue only.

The jury found a royalty rate of 5% and awarded damages of \$4,319,530 to Contour. But, the district court concluded that Revolution was entitled to absolute intervening rights and reduced the damages award by \$125,964. The district court, however, rejected Revolution's equitable intervening rights defense, finding that Revolution acted with unclean hands after it learned of the district court's SJ orders. Additionally, the district court denied Contour's motion for attorneys' fees based on Revolution's alleged willful infringement of the '545 patent. After entering final judgment, the district court denied Revolution's motions for JMOL, a new trial, and remittitur. Revolution appealed the issues of validity, infringement, and the denial of its post-trial motions. Contour cross-appealed the denial of attorneys' fees.

The Federal Circuit then considered Revolution's invalidity arguments. First, the Court considered Revolution's argument that claim 22 of the '545 patent did not satisfy the written description requirement under § 112, ¶ 1, because it did not address both of the prior art deficiencies identified in the specification. The Court rejected this argument, stating that it had previously held that "when the specification sets out two different problems present in the prior art, it is unnecessary for each and every claim in the patent to address both problems." Slip op. at 10. The Court noted that this principle applied not only in claim construction but also in written description analysis. Since claim 22 was directed solely to a primary frame and addressed the prior art "decreased strength" issue, the Court concluded that the written description requirement was satisfied.

The Court then considered Revolution's argument that claim 22 of the '545 patent was invalid for violating 35 U.S.C. § 251, which states that a reissue patent shall be reissued "for the invention disclosed in the original patent." *Id.* at 11. Specifically, Revolution argued that claim 22 did not claim the same invention as disclosed in the original '207 patent. The Court noted that the inquiry for the "original patent" requirement of § 251 was analogous to the inquiry for the written description requirement

under § 112, ¶ 1, and held that because the written description requirement was satisfied, claim 22 complied with § 251.

Next, the Court considered whether claim 22 of the '545 patent was permissible under the recapture rule, which restricts the ability of patentees to broaden the scope of their claims through reissue patents. Since no amendments or arguments were made during prosecution of the original '207 patent, the Court found that the recapture rule did not apply. The Court then considered Revolution's argument that the inventor disclaimed certain claim scope. The Court acknowledged that the inventor disclaimed in the specification an auxiliary frame that was not stably supported in top-mounting configuration and a primary frame that had embedded magnetic chambers, but claim 22 was not directed to either. The Court thus held that the inventor did not disclaim the subject matter of claim 22. Because claim 22 satisfied the written description requirement under § 112, ¶ 1, and complied with § 251, and because the inventor did not disclaim the subject matter of claim 22, the Court affirmed the district court's denial of SJ of invalidity.

“[W]hen the specification sets out two different problems present in the prior art, it is unnecessary for each and every claim in the patent to address both problems.” Slip op. at 10.

The Federal Circuit then considered Revolution's infringement arguments. First, the Court considered Revolution's argument that its primary frame did not infringe because it was not capable of being top-mounted with its counterpart auxiliary frame or any commercially sold auxiliary frame. The Federal Circuit noted that the district court emphasized under its construction of claim 22 of the '545 patent that the magnetic members of the primary frame need only be capable of magnetically attracting magnetic members of an auxiliary frame. Since claim 22 only required a capacity to perform a function, the Court distinguished the case from *High Tech Medical Instrumentation, Inc. v. New*

Image Industries, Inc., 49 F.3d 1551 (Fed. Cir. 1995), which included a claim requiring structure (a camera “rotatably coupled” to a body member), and which stated that “a device does not infringe simply because it is possible to alter it in a way that would satisfy all the limitations of a patent claim.” *Id.* at 1555. Moreover, the Court explained that Revolution's frame did not need to be altered in any way for it to be “capable of engaging” magnetic members. And, since claim 22 was directed to the primary frame, not a method of using the primary frame, whether the usage of the primary frame was modified was irrelevant.

The Court also rejected Revolution's argument that its primary frame did not infringe because it was not capable of stably supporting an auxiliary frame. According to the district court's claim construction, “stable support” was not a limitation of claim 22. And, since Revolution did not challenge the claim construction, the Court found that Revolution waived its “stable support” argument. Accordingly, the Federal Circuit affirmed the district court's grant of SJ of infringement.

Next, the Federal Circuit considered Revolution's contentions that the district court erred in denying Revolution's post-trial motions for JMOL, a new trial, and remittitur. The Court reviewed the denial of these post-trial motions by applying the law of the regional circuit—in this case, the Ninth Circuit. In particular, the Federal Circuit reviewed *de novo* the district court's denial of Revolution's motion for JMOL. Revolution argued that JMOL was required because the jury verdict awarding damages of \$4.3 million to Contour was mathematically impossible given that the jury found a reasonable royalty rate of 5% and Contour's counsel calculated a total revenue of \$55 million. The Court noted, however, that the jury did not need to use the total revenue calculated by Contour to calculate the damages. Revolution also argued that JMOL was required because there was no substantial evidence to support the jury's finding of the 5% royalty rate. The Federal Circuit agreed with the district court that there was sufficient evidence to support the 5% royalty rate. Accordingly, the Federal Circuit held that the district court did not err in denying Revolution's motion for JMOL.

The Federal Circuit then reviewed for an abuse of discretion the district court's denial of Revolution's motion for a new trial. Revolution argued that the \$4.3 million damages award exceeded the royalty for both the infringing primary frame and the noninfringing auxiliary frame. After reiterating that the damages award was within reason, the Court pointed out that a damages award based on a reasonable royalty rate was only the floor, not the exact amount. The Federal Circuit therefore held that the district court did not abuse its discretion in denying Revolution's motion for a new trial.

Next, the Federal Circuit reviewed for a clear abuse of discretion the district court's denial of Revolution's motion for remittitur. The Court noted that the verdict was supported by substantial evidence and therefore found no abuse of discretion. Accordingly, the Federal Circuit affirmed the district court's denial of Revolution's post-trial motions for JMOL, a new trial, and remittitur.

Lastly, the Federal Circuit considered Contour's contention that the district court erred in denying its motion for attorneys' fees based on Revolution's alleged willful infringement. Contour argued that there was no distinction between "intervening rights" willfulness and "exceptional case" willfulness, and therefore the district court committed reversible error in denying its motion for attorneys' fees based on willful infringement. The Court noted that the issue of equitable intervening rights was entirely equitable in nature and, as such, issues of fact underlying the equitable intervening rights were matters for court, not jury disposition. In contrast, the Federal Circuit noted that the issue of willful infringement remained with the fact-finder. In this case, Contour failed to plead willful infringement, and the fact-finder did not examine the issue. This did not prevent the district court from taking into account, as dictated by the equities, facts that would normally be considered under willful infringement analysis. But, as explained by the district court, such a limited finding of willfulness on an equitable issue would not be a sufficient "clear and convincing" finding of willfulness to support finding the case "exceptional." Thus, finding no clear error in the district court's

conclusion that the case was not exceptional, the Federal Circuit affirmed the district court's denial of Contour's motion for attorneys' fees based on willful infringement.

The Test for Materiality in Determining Whether a Mark Is Geographically Deceptive Requires Deception to a Substantial Portion of Relevant Consumers

Judy W. Chung

Judges: Rader, Linn, Dyk (author)

[Appealed from TTAB]

In *In re Spirits International N.V.*, No. 08-1369 (Fed. Cir. Apr. 29, 2009), the Federal Circuit vacated and remanded a finding by the TTAB that the mark MOSKOVSKAYA was primarily geographically deceptively misdescriptive under 15 U.S.C. § 1052(e)(3). The Court held that the TTAB applied an incorrect standard of materiality because it failed to consider whether the mark would deceive a significant portion of the relevant consuming public.

Spirits International B.V. (formerly Spirits International N.V.) ("Spirits") filed an application for the mark MOSKOVSKAYA for vodka, admitting that the vodka would not be manufactured, produced, or sold in Moscow. Slip op. at 2. The PTO issued a Final Office Action refusing registration of the mark on the ground that MOSKOVSKAYA, which translates to "of or from Moscow," is primarily geographically deceptively misdescriptive. The examining attorney found that the public would most likely believe the goods were from Moscow, and that such a belief would likely be material to consumers because Russian vodka is highly regarded. Spirits moved for reconsideration, but the examining attorney denied the motion. The TTAB affirmed.

In affirming the refusal of Spirits' mark, the TTAB analyzed the mark under § 1052(e)(3) and set forth the requirements for establishing a prima

facie case that a mark is primarily geographically deceptively misdescriptive:

- (1) the mark's primary significance is a generally known geographic location;
- (2) the relevant public would be likely to believe that the goods originate in the place named in the mark . . . when in fact the goods do not come from that place;
- and (3) the misrepresentation is a material factor in the consumer's decision.

Id. at 3 (citing *In re Spirits Int'l N.V.*, 86 USPO2d 1078, 1081 (TTAB 2008)). Applying the doctrine of foreign equivalents, the TTAB found that the mark MOSKOVSKAYA met all three requirements under § 1052(e)(3). In analyzing the materiality element, the TTAB found that “[a]ll that is required is a showing that *some portion* of relevant consumers will be deceived,” and determined that because of the mark's deception to an “appreciable number” of Russian speakers in the United States, the mark met the materiality element. *Id.* at 3-4.

Under the circumstances it is clear that section (e)(3)—like subsection (a), the false advertising provision of the Lanham Act, and the common law—requires that a significant portion of the relevant consuming public be deceived. *Slip op.* at 14.

On appeal, the Federal Circuit discussed situations where the doctrine of foreign equivalents may not apply, i.e., in cases where the specific context of the mark is such that an ordinary American purchaser sufficiently familiar with Russian would nonetheless take the mark at face value. The Court next provided a general overview of the history of § 1052(e)(3). The Court stated that in enacting the current § 1052(e)(3), Congress implicitly added a requirement that the PTO “establish . . . that the misdescription ‘materially affect the public’s decision to purchase the goods.’” *Id.* at 8.

In examining the materiality requirement, the Federal Circuit considered (1) the history of

§ 1052(a) that includes the same materiality requirement as the current § 1052(e)(3); (2) § 43(a) of the Lanham Act, which includes a materiality requirement similar to the current § 1052(e)(3); and (3) the requirement of materiality in false advertising cases.

Under § 1052(a), the Court found trademarks that “misdescribe[] the goods . . . in a manner *likely to influence the purchasing decisions of a significant number of prospective purchasers* . . . [are] deceptive.” *Id.* at 11-12 (quoting Restatement (Third) of Unfair Competition § 32 cmt. b). The Court found that a similar requirement applied in the area of deceptive advertising under § 43(a) of the Lanham Act, where “[a] person is subject to liability under this Section only if the representation is *likely to deceive or mislead a significant portion of the audience*.” *Id.* (quoting Restatement (Third) of Unfair Competition § 32 cmt. d). The Court also noted that courts have recognized a proportionality requirement for materiality in false advertising cases, such that a mark or advertising must deceive a substantial portion of the relevant consumers. Accordingly, the Court concluded that the materiality element under § 1052(e)(3) requires that a significant portion of the relevant consuming public be deceived. Thus, the Court concluded that the TTAB had failed to consider whether the Russian speakers represent a “substantial portion of the intended audience” to satisfy the materiality requirement. *Id.* at 16.

District Court Properly Relied on the Specification and Looked to the Accused Technology to Construe Dispositive Claim Term

Michael Skopets

Judges: Michel, Bryson, Cudahy (Senior Circuit Judge sitting by designation, author)

[Appealed from M.D. Fla., Judge Lazzara]

In *Every Penny Counts, Inc. v. American Express Co.*, No. 08-1434, and *Every Penny Counts, Inc. v. First Data Corp.*, No. 08-1438 (Fed. Cir. Apr. 30, 2009), the Federal Circuit affirmed the

district court's claim construction of "excess cash" and, consequently, its judgment of noninfringement.

Every Penny Counts, Inc. ("EPC") holds several patents directed to systems for contributing a portion of a retail sale transaction to a charity or a bank account. The patented invention allows the customer to contribute change from a transaction (i.e., "excess cash") into a predetermined charity or bank account. EPC asserted five patents against two groups of defendants, each of which makes and sells gift cards that can be used instead of cash to complete retail transactions. EPC claimed that those gift cards infringe its patents because they involve means of "loading value onto accounts at a point-of-sale terminal." Slip op. at 4.

"[T]he court considered the accused products only to elicit the parties' views about what the claim term means in the context of a concrete transaction involving these products. EPC's suggestion that this was improper is way wide of the mark." Slip op. at 9.

The district court held a joint claim construction hearing. At the hearing, the parties agreed that the construction of "excess cash" was potentially dispositive. One of the defendant groups proposed the construction "amount selected by the payor beyond the total amount due at the point of sale." EPC's proposed construction was "an amount . . . offered in excess of the sale price of merchandise." EPC further interpreted "sale price" as the portion of a transaction that a merchant would account for as a sale. In other words, under the defendants' construction, the customer fully controls the amount of "excess cash," whereas under EPC's construction, the amount of "excess cash" depends on the merchant's accounting practices. This distinction was critical as the "sale price" of a \$50 gift card could be as low as \$0 under EPC's construction because merchants do not typically account for transactions involving gift cards as "sales"

until the gift card is redeemed. Under such circumstances, the "excess cash" would include the \$50 value of the gift card, which is loaded into the gift card's account. The district court adopted the defendants' proposed construction, and EPC stipulated to the entry of final judgment in both cases, recognizing that it could not prove infringement under that construction.

In analyzing the district court's claim construction, the Federal Circuit first reiterated that the patent specification's use of disputed terms is "of particular relevance" during the claim construction process. *Id.* at 6. The Federal Circuit concluded that the specification describes "excess cash" as the difference between the amount tendered by the customer and the price of the items purchased, which most naturally aligns with the district court's construction.

The Federal Circuit then analyzed EPC's arguments that (1) the district court erred by analyzing the term "sales price," which was not a disputed claim term; and (2) the district court improperly looked to the accused products to arrive at a construction that would make it impossible to prove infringement. The Court found EPC's first argument "puzzling," especially since it was EPC's own construction that used the term "sales price," and the parties disagreed about the meaning of that term. Moreover, citing *O2 Micro Int'l Ltd. v. Beyond Innovation Tech. Co.*, 521 F.3d 1351, 1361-62 (Fed. Cir. 2008), the Federal Circuit noted that questions bearing on the scope of a claim must be resolved by a court and not left to the jury, and consequently found that the district court acted properly.

The Federal Circuit also rejected EPC's second argument regarding the consideration of the accused product. The Federal Circuit noted that the district court had considered the accused products to elicit the parties' views about the meaning of "excess cash" in the context of hypothetical transactions, some of which involved the accused products. The Court further noted that a trial court's knowledge or awareness of the accused product is permissible and may provide meaningful context during claim construction. Accordingly, the Federal Circuit affirmed the district court's claim construction.

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Abbreviations

ALJ Administrative Law Judge
ANDA Abbreviated New Drug Application
APA Administrative Procedures Act
APJ Administrative Patent Judge
Board Board of Patent Appeals and Interferences
Commissioner Commissioner of Patents and Trademarks
CIP Continuation-in-Part
DJ Declaratory Judgment
DOE Doctrine of Equivalents
FDA Food and Drug Administration
IDS Information Disclosure Statement
ITC International Trade Commission
JMOL Judgment as a Matter of Law
MPEP Manual of Patent Examining Procedure
NDA New Drug Application
PCT Patent Cooperation Treaty
PTO United States Patent and Trademark Office
SJ Summary Judgment
TTAB Trademark Trial and Appeal Board

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Looking Ahead

On June 1, 2009, the Supreme Court granted certiorari in *Bilski v. Doll* to review the Federal Circuit's decision in *In re Bilski*, 545 F.3d 943 (Fed. Cir. 2008), which defines the scope of patentable subject matter. The Supreme Court will consider whether a "process" must be tied to a particular machine or apparatus, or transform a particular article into a different state or thing (the "machine-or-transformation" test), to be eligible for patenting under 35 U.S.C. § 101. The Court will also decide whether the "machine-or-transformation" test for patent eligibility contradicts congressional intent that patents protect "method[s] of doing business" in 35 U.S.C. § 273. The case will be briefed this summer and is expected to be argued in late November/early December 2009. *Bilski* is represented by Finnegan, Henderson, Farabow, Garrett & Dunner, LLP.