

Last Month at the Federal Circuit

May 2006

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- In an interesting April case, the Federal Circuit held, over the dissent of Judge Linn, that two canceled figures in a Canadian patent application—which remained in the file wrapper but were not in the issued patent—qualified as a printed publication under § 102(b). *Bruckelmyer v. Ground Heaters, Inc.*, No. 05-1412 (Fed. Cir. Apr. 20, 2006) (see summary below). In another case of interest, the Court reiterated a theme from the previous month that knowledge of the accused product or process provides “vital contextual knowledge” when construing claims. *Lava Trading, Inc. v. Sonic Trading Mgmt., LLC*, Nos. 05-1177, 1192 (Fed. Cir. Apr. 19, 2006) (citing *Wilson Sporting Goods Co. v. Hillerich & Bradsby Co.*, 2006 WL 722127 (Fed. Cir. 2006)) (see summary below).
- In a precedential order granting a petition for writ of mandamus, the Federal Circuit concluded that when defendant Echostar Communications Corporation chose to rely on the advice of in-house counsel as a response to an assertion of willful infringement, it thereby waived the attorney-client privilege with regard to any attorney-client communications relating to the same subject matter, including communications with outside counsel Merchant & Gould. *In re Echostar Communications Corp.*, Misc. Docket Nos. 803, 805 (Fed. Cir. May 1, 2006). But the Court also concluded, however, that the district court abused its discretion in determining that the scope of the waiver of privilege extended to Merchant & Gould work product documents that were not communicated to EchoStar and did not reference any such communications.
- District court cases in April addressed issues relating to the Federal Circuit’s recent en banc decision in *Knorr-Bremse*:
 - In *McKesson Information Solutions, Inc. v. Bridge Medical, Inc.*, No. CIV. S-02-2669 FCD KJM, 2006 WL 1030170 (E.D. Cal. Apr. 19, 2006), the district court ruled that the patentee was not allowed to introduce any evidence or testimony before the jury that the accused infringer had obtained an opinion of counsel but refused to produce it under a claim of attorney-client privilege. The court determined that “[i]t is inescapable that the jury would likely conclude that [the accused infringer] received an unfavorable opinion, otherwise [he] would reveal it. This is precisely the negative inference *Knorr* prohibits.” *Id.* at *2.
 - In *Trading Technologies International, Inc. v. eSpeed, Inc.*, No. 04 C 5312, 2006 WL 1037322 (N.D. Ill. Apr. 17, 2006), the district court denied the accused infringer’s motion to bifurcate liability from willfulness and damages, ruling that *Knorr-Bremse* and the elimination of the adverse inference lessened, but did not wholly eliminate, the dilemma faced by accused infringers of whether to produce opinion of counsel and thereby waive attorney-client privilege. This lessening of the dilemma weighed in favor of having one trial rather than bifurcation.

The Specification May Be Dispositive of the Meaning of a Disputed Claim Term

Lisa M. Matovcik

Judges: Linn, Dyk, Prost (author)

In *Semitool, Inc. v. Dynamic Micro Systems Semiconductor Equipment GmbH*, No. 05-1299 (Fed. Cir. Apr. 6, 2006), the Federal Circuit affirmed the district court’s grant of SJ of noninfringement to Dynamic Micro Systems Semiconductor Equipment GmbH (“DMS”) and the denial of Semitool, Inc.’s (“Semitool”) motions to enforce a permanent injunction and settlement agreement.

Semitool owns two patents, both directed to a machine that cleans semiconductor wafer carriers. Semitool’s cleaning machines use external air inlets and outlets to dry the air in a processing chamber. DMS also manufactures and sells a machine for cleaning semiconductor wafer carriers (“the Tornado”). DMS’s Tornado is a closed system that dries the air with condensing plates. Both machines wash the carriers and dry them by spinning at high speeds.

In a prior litigation, Semitool sued DMS for infringement, alleging that earlier versions of DMS’s cleaning machines infringed its patents. The district court issued a claim construction order and granted Semitool’s motion for SJ of infringement with regard to one of DMS’s two accused products.

The parties agreed to a settlement providing that in the event of a future infringement determination, the district court would retain jurisdiction and Semitool's patents would be construed according to the claim construction order. The settlement agreement included a stipulation to entry of a permanent injunction barring DMS from infringing any claims of Semitool's patents and specified that DMS's accused products infringed, as would any device that is no more than a colorable variant.

DMS filed suit seeking a DJ that its Tornado did not infringe Semitool's patents, but the parties agreed to dismiss the DJ complaint and the district court reopened the litigation. The district court noted that the parties disputed whether the Tornado's condenser supplies drying gas to the process chamber and whether the condenser is part of that chamber. The district court never reached the second issue because it concluded, based on its previous claim construction, that the Tornado did not supply drying gas to the process chamber and, therefore, did not infringe.

On appeal, Semitool argued that the district court improperly limited the scope of its invention to cover only cleaning machines that supply drying gas from an external source. According to Semitool, the dried air that leaves a condenser within the Tornado supplies drying gas to a processing chamber, i.e., so long as the condenser is located outside the processing chamber, it can introduce drying gases into the processing chamber, even in a closed system.

The Federal Circuit found that it could only grant SJ of noninfringement if the condenser is inside the processing chamber and, because the district court did not reach that issue, it construed the claims to answer the question. Under Semitool's construction, the processing chamber encompasses the central region of the processing vessel, where the carriers are

loaded, cleaned, and dried. According to DMS, the processing chamber encompasses the entire interior of the processing vessel.

Some of the asserted claims had a limitation that the machine contain "a processing vessel *defining* a process[ing] chamber therewithin." Based upon the claim language, the Federal Circuit found that the processing chamber covered by those claims encompassed the entire interior of the processing vessel, consistent with DMS's interpretation. Another of the asserted claims, however, only specified "a processing chamber within the processing vessel," leaving open to interpretation whether the processing chamber and the processing vessel are coextensive. The Court turned to the patent specification to make the determination. It noted that the specification treated the terms "processing chamber" and "processing vessel" synonymously. It also determined that because the specification described the bottom baffle separating an area where wafer carriers are cleaned and dried from the rest of the processing vessel as a false bottom, rather than an actual bottom, the area below the baffle was part of the processing chamber. Additionally, the specification referred to a port located below the bottom baffle as the "processing *chamber* outflow," not the "processing *vessel* outflow," port. Therefore, the Court concluded that the processing chamber and processing vessel were coextensive.

Accordingly, the Court construed Semitool's claims to a machine that cleans semiconductor wafer carriers by supplying a drying gas to a processing chamber to exclude DMS's Tornado because its condenser is located inside a processing chamber and the condenser cannot introduce gas into that chamber. Thus, the Tornado does not infringe the asserted claims, and the Court affirmed the district court's denial of Semitool's motions to enforce the settlement agreement.

The Due Process Inquiry Focuses on Contact with the Forum State Beyond Cease and Desist Letters and Licensing Attempts

Michele L. Mayberry

Judges: Michel (author), Friedman, Linn

In *Breckenridge Pharmaceutical, Inc. v. Metabolite Laboratories, Inc.*, Nos. 05-1221, -1428 (Fed. Cir. Apr. 7, 2006), the Federal Circuit reversed the dismissal of plaintiff's claims of tortious interference, unfair competition, and DJ of noninfringement against defendant-patentee for lack of personal jurisdiction. The Court also vacated the grant of SJ on all claims to defendant-licensee and remanded the case for further proceedings. Metabolite Laboratories, Inc. ("Metabolite"), whose principal business involves licensing its patents to pharmaceutical manufacturing companies, is the holder of patents concerning a method of controlling hyperhomocysteinemia (an emerging risk factor for heart and vascular disease).

"Because Metabolite has established a relationship with PamLab, its exclusive licensee, which promotes, advertises and sells FOLTX in Florida, and with which Metabolite coordinates cease and desist letters and infringement litigation, Metabolite has purposefully availed itself of the benefits and protections of Florida law."
Slip op. at 20.

Metabolite exclusively licensed those patents to PamLab, L.L.C. ("PamLab"), a codefendant who manufactures FOLTX, a prescription-only vitamin product. Breckenridge Pharmaceutical, Inc. ("Breckenridge"), a generic manufacturer, manufactures and

markets a product called "Folbee," which it sells as a substitute for FOLTX.

In December 2003, Metabolite and PamLab filed suit in the U.S. District Court for the District of Colorado for infringement of the Metabolite patents by Breckenridge for the offering and sale of Folbee as a generic equivalent to PamLab's FOLTX. Plaintiffs Metabolite and PamLab, however, voluntarily dismissed the Colorado suit when the district court denied their motion for a temporary restraining order.

Several weeks later, Metabolite, with PamLab's cooperation, sent letters to vitamin distributors and retailers, including customers of Breckenridge in Florida, informing them of Metabolite's patents and PamLab's exclusive license. About eight days after learning of the letters sent to its customers, Breckenridge filed suit in the U.S. District Court for the District of Florida for DJ of noninfringement and alleging state law claims of tortious interference and unfair competition against Metabolite and PamLab. Metabolite moved to dismiss the complaint for lack of personal jurisdiction, and the district court granted the motion. Based on the dismissal of Metabolite, an indispensable party, the district court subsequently granted SJ to PamLab on all claims. Breckenridge appealed.

On appeal, the Federal Circuit reviewed whether the cause of action "arises out of" or "relates to" Metabolite's in-state activity, such that the district court has specific jurisdiction over Metabolite. In making this determination, the district court must find that (1) the state long-arm statute permits service of process on the defendant, and (2) the exercise of personal jurisdiction satisfies due process.

The Federal Circuit agreed with the district court's holding that Metabolite's contacts in Florida satisfied the Florida long-arm statute

because the letters Metabolite sent could be solicitations and Breckenridge alleges that the letters caused injury in Florida.

With respect to due process, the Federal Circuit determined that the district court correctly applied Federal Circuit law because the question of infringement is a critical factor in determining liability under the claims of tortious interference and unfair competition. The Court noted that, under Florida law, Breckenridge must show, among other things, an unjustified interference (tortious interference) in the business relationship between Breckenridge and the recipients of the cease and desist letters, and that Metabolite's actions were unfair (unfair competition). The Federal Circuit reasoned that, if the implication of infringement contained in the Metabolite letters were true, the letters would neither be unjustifiable nor unfair; thus, the nonpatent issues are "intimately linked to patent law," and the Federal Circuit due process law should apply.

The Federal Circuit employs a three-prong test to determine whether the exercise of personal jurisdiction satisfies the requirements of due process. In particular, it must be determined whether "(1) the defendant purposefully directed its activities at residents of the forum, (2) the claim arises out of or relates to those activities, and (3) assertion of personal jurisdiction is reasonable and fair." Slip op. at 8 (citing *Akro Corp. v. Luker*, 45 F.3d 1541, 1545-46 (Fed. Cir. 1995)).

With respect to the first two prongs of the *Akro* test, the Federal Circuit held that although the district court was correct in stating that personal jurisdiction may not be exercised constitutionally when defendant's contact with the forum state is limited to only cease and desist letters, it erred in determining that Metabolite's letters were the full extent of its contacts with Florida. After reviewing the

relevant case law, the Court explained that "the crux of the due process inquiry should focus first on whether the defendant has had contact with parties in the forum state beyond the sending of cease and desist letters or mere attempts to license the patent at issue there." Slip op. at 15. In particular, the inquiry should allow for "close examination" of the license agreement between the defendant-licensor and a licensee headquartered or doing business in the forum state.

In this case, the Federal Circuit found that the absentee defendant Metabolite had purposefully availed itself of the privilege of conducting activities within Florida. In particular, the Court noted that in addition to sending the cease and desist letters into Florida, Metabolite had an exclusive license with PamLab, a company doing business in Florida. The license agreement contemplated cooperation between Metabolite and PamLab as to patent infringement litigation and patent prosecution. The Court also found that Metabolite and PamLab actually did collaborate in sending the cease and desist letters and in litigating the Metabolite patents, and were often represented jointly by counsel. Accordingly, the Federal Circuit found that the first two prongs of the *Akro* test were satisfied.

Under the third prong of the *Akro* test, the Federal Circuit explained, a defendant can avoid the exercise of personal jurisdiction over it by showing that it would offend principles of fair play and substantial justice. The Court reviewed the district court's weighing of the relevant factors and held that Metabolite failed to present a "compelling case" that the exercise of personal jurisdiction would be unfair.

Therefore, the Federal Circuit held that the district court may exercise personal jurisdiction over Metabolite in accordance with due process and that the district court's

dismissal of Metabolite for lack of personal jurisdiction was improper. Additionally, because the grant of SJ to PamLab was based on the district court's erroneous determination that it lacked personal jurisdiction over Metabolite, the Federal Circuit vacated the grant of SJ to PamLab and remanded for further proceedings.

Full Compensation for Direct Infringement Precludes Separate Trial on Indirect Infringement for the Customers' Use of the Same Infringing Products

Malcolm T. Meeks

Judges: Newman (dissenting), Bryson, Prost (author)

In *Glenayre Electronics, Inc. v. Jackson*, No. 04-1568 (Fed. Cir. Apr. 11, 2006), the Federal Circuit affirmed the district court's denial of patentee's motion for a second trial on indirect infringement counterclaims after the patentee obtained a judgment and accepted damages for direct infringement based on the same infringing products.

Phillip Jackson and PMJ Family Limited Partnership (collectively "Jackson") sued a number of Glenayre Electronics, Inc.'s ("Glenayre") customers alleging direct infringement of U.S. Patent No. 4,596,900 ("the '900 patent"). The '900 patent claims a device that produces control signals upon receiving predetermined tone signals from remotely located telephones. Glenayre sold infringing voice-mail server systems to customers who, in turn, included the systems in their networks for further sales and services. In response to Jackson's suit, Glenayre filed a

separate DJ action of noninfringement, and the district court, in turn, stayed Jackson's original suit against Glenayre's customers pending resolution of the DJ action. With his original suit stayed, Jackson filed counterclaims accusing Glenayre of indirect infringement and again accusing its customers of direct infringement. The district court stayed Jackson's counterclaims against both Glenayre and its customers, reasoning that a determination of Glenayre's indirect infringement must come after a determination of liability against a direct infringer. The district court also reasoned that because it stayed the original suit and counterclaims against Glenayre's customers for direct infringement, the issue of damages for Glenayre's indirect infringement did not present itself at the time. Jackson, as a result, filed a counterclaim for direct infringement against Glenayre.

At trial, a jury ruled in favor of Jackson, finding Glenayre directly infringed the '900 patent and awarded Jackson damages of \$12 million. During the trial, Jackson presented evidence of benefits gained by Glenayre's customers as a result of the infringement. In view of the significant damages awarded, Glenayre moved to have the reward remitted. In opposing the motion, Jackson once again relied on benefits received by Glenayre's customers as a result of the infringement. Nevertheless, the district court granted Glenayre's motion, reducing the award to \$2.65 million. Jackson did not challenge the award, and Glenayre, not Jackson, appealed the district court's decision to the Federal Circuit. The Federal Circuit affirmed without opinion. Subsequently, Jackson dismissed his counterclaims against Glenayre's customers without prejudice and accepted payment of the remitted damages award.

In Jackson's view, his counterclaims on the issue of Glenayre's indirect infringement still

warranted adjudication, so he moved to set trial on the stayed counterclaims. The district court denied the motion, reasoning that the damages awarded fully compensated Jackson for the infringement. Jackson appealed.

The Federal Circuit reviewed the denial of Jackson's motion to set trial under the same standard it applies for the dismissal of counterclaims for failure to state a claim upon which relief can be granted under Fed. R. Civ. P. 12(b)(6), namely, *de novo*. In taking a fresh legal view of the denial, the Federal Circuit addressed two issues making up the bulk of Jackson's argument. Jackson argued (1) that staying his indirect infringement counterclaims automatically granted him a second trial as a matter of right, and (2) the damages award did not fully compensate him for the entirety of the infringement.

Addressing Jackson's first argument, the Federal Circuit held that the fact that the district court stayed his indirect infringement counterclaims does not entitle him, as a matter of right, to present the same evidence to a new jury. Such a stay does not, in and of itself, automatically grant a party the absolute right to a second trial.

The Federal Circuit went on to hold that not only is Jackson not entitled to a new trial as a matter of right, but none of the district court's actions or statements constitute a promise of a second trial. The district court neither expressly nor impliedly promised Jackson a second trial. In addressing Jackson's second argument that the remitted damages award failed to fully compensate him, the Federal Circuit rejected Jackson's argument on three grounds. Specifically, Jackson's argument fails because (1) Jackson's indirect infringement contention stems from the same conduct, namely, Glenayre's sales, for which Jackson received an award for direct infringement; (2) Jackson already introduced evidence at trial on the benefits Glenayre's customers received from

the infringement; and (3) Jackson accepted the remitted award, which precludes him from challenging it on appeal.

In addition, the Federal Circuit addressed three Supreme Court cases incorrectly relied on by Jackson to further support the Federal Circuit's decision.

According to the Federal Circuit, because Jackson received actual damages for direct infringement, neither *Birdsell v. Shaliol*, 112 U.S. 485 (1984), nor *Union Tool Co. v. Wilson*, 259 U.S. 107 (1922), apply. Moreover, *Aro Manufacturing Co. v. Convertible Top Replacement Co.*, 377 U.S. 476 (1964), does not apply because, unlike the factual situation in *Aro*, Glenayre did not sell parts used to perpetuate an infringing use when assembled by end users. Rather, Glenayre's devices constituted the actual infringing product, and Glenayre's customers simply used the infringing product. Based on this reasoning, the Federal Circuit held that none of these cases supported Jackson's right to a new trial.

Judge Newman dissented, noting that both the district court and the majority erred in denying Jackson a trial on the severed indirect infringement counterclaims because, absent such trial, one cannot determine if Jackson received full compensation for the entirety of the infringement. In addition, in Judge Newman's view, the holding sets a precedent that a direct infringer can never be liable for indirect infringement, which, according to Judge Newman, contradicts the law. Judge Newman reasoned that Jackson's appeal does not amount to a collateral attack on the jury

“There is no reason that we would allow a patentee to obtain a new trial to litigate its entitlement to damages for buyers’ and users’ infringement when the patentee already completed a previous trial that resulted in a damages award based on the very same concept against the very same party.”
Slip op. at 36.

trial damages award for Glenayre's direct infringement. Rather, Jackson's appeal deals only with the stayed counterclaims of indirect infringement based on direct infringement by Glenayre's customers, which were never litigated. Therefore, Jackson did not waive his right to a separate trial on his indirect infringement counterclaims by accepting the remitted damages award for direct infringement. The true issue on appeal, according to Judge Newman, is whether Jackson received adequate compensation for the entirety of the infringement, and the district court did not decide this issue because the counterclaim for indirect infringement went unlitigated. Therefore, in order to determine if Jackson received adequate compensation, the district court should have held a trial on the severed indirect infringement counterclaims.

Claim Construction Should Not Conflict with the Claim's Plain Meaning nor Should It Exclude Disclosed Embodiments

Kendra S. Mattison

Judges: Mayer (dissenting), Rader (author), Linn

In *Lava Trading, Inc. v. Sonic Trading Management, LLC*, Nos. 05-1177, -1192 (Fed. Cir. Apr. 19, 2006), the Federal Circuit vacated the district court's claim construction and the stipulated final judgment orders of noninfringement, and remanded for further proceedings.

The patent-in-suit, U.S. Patent No. 6,278,982 ("the '982 patent") owned by Lava Trading, Inc. ("Lava"), describes software that aggregates and integrates information from various trading systems for buying and selling

securities. The '982 patent addresses a problem wherein a user with access to only a subset of these trading systems may not know of lower or higher prices available on another system.

Lava sued Sonic Trading Management, LLC, Joseph Cammarata, and Louis Feng Liu (collectively "Sonic") and Royalblue group plc and related companies (collectively "Royalblue") for infringement of the '982 patent. Sonic and Royalblue denied infringement and counterclaimed for DJ that the '982 patent is invalid, unenforceable, and not infringed. The district court held a *Markman* hearing and issued a claim construction ruling from the bench. The district court concluded that "distributing" means distributing a combined order book pertaining to *all* orders from *all* trading system members. Similarly, the district court concluded that "displaying" means that the system must display the *whole* combined order book for the trader. After this ruling, the parties stipulated to final judgments of noninfringement. Lava appealed the stipulated final judgment orders.

On appeal, before reaching the district court's claim construction, the Federal Circuit addressed the procedural posture of the appeal. The Court noted with concern that the invalidity and unenforceability counterclaims were still pending before the district court and that information comparing the accused products to the asserted claims is not available on the record to allow the Court to review the infringement finding in context of the accused products or processes. However, the Court concluded that it did have jurisdiction under 28 U.S.C. § 1295(a)(1) because the district court issued a Rule 54(b) certification, which allows the district court to determine when each "final decision" is ready for appeal. *See* Fed. R. Civ. P. 54(b).

The Federal Circuit vacated the district court's claim construction, concluding that the district court's interpretation of the claim terms "distributing" and "displaying" conflicts with the plain meaning of the claim and excludes embodiments disclosed in the specification. The Federal Circuit noted that the preamble to claim 9 mentions "*a* security or commodity," rather than "all" securities or commodities, and also discussed various embodiments in the specification that distribute and display information for only a subset of the combined order book. The Court relied on its decision in *Phillips v. AWH Corp.*, 415 F.3d 1303, 1313 (Fed. Cir. 2005) (en banc), stating that "[r]eading the claim language and these embodiments in the specification, one of ordinary skill in this art would not limit the distributing and displaying limitations in the manner suggested by the district court." Slip op. at 12.

Additionally, the Federal Circuit addressed Sonic's waiver/estoppel argument relating to Lava's claim construction theory. While before the district court, Lava changed counsel. Lava's initial counsel argued the term "distributing" should be construed as providing the consolidated list of open orders for "*a* given security," i.e., for only one security. The district court, however, rejected Lava's proposed definition and adopted a construction requiring the distribution of data for *all* securities in the combined order book. Lava then obtained new counsel, who asserted in a motion for reconsideration that "distributing" means providing information for "*one* security or *more than one* security," i.e., a subset of the combined order book. The district court denied Lava's motion for reconsideration. On appeal, Sonic argued that Lava should be estopped from raising the construction of "distributing" as presented in the motion for reconsideration. The Federal Circuit rejected Sonic's argument, reasoning that the Court could not find any practical difference between the two theories, and that judicial estoppel is not normally applied on

appeal to prevent a party from altering a position that was unsuccessful before a trial court. This was not a case where a party presented an argument on appeal that substantially changed the scope of a prior position taken before a trial court.

Judge Mayer dissented, arguing that there was no final judgment by the district court and the Federal Circuit therefore lacked jurisdiction. He noted that there were "no 'facts' on the record to prevent parties from presenting claim construction one way in the trial court and in an entirely different way in this court. By not dismissing this case, we issue a decision based on an undeveloped record. We set ourselves up to have to decide claim construction again later, which could well differ from the ruling today." Slip op., Dissent at 2.

Drawings Cancelled in Foreign Application Constitute § 102(b) Prior Art and Invalidate U.S. Patents

Joyce Craig-Rient

Judges: Michel, Lourie (author), Linn (dissenting)

In *Bruckelmyer v. Ground Heaters, Inc.*, No. 05-1412 (Fed. Cir. Apr. 20, 2006), the Federal Circuit affirmed a district court's decision to grant SJ of invalidity of two U.S. patents. The Federal Circuit held that two figures cancelled from a Canadian patent application were sufficiently "publicly accessible" to constitute an invalidating "printed publication" under 35 U.S.C. § 102(b).

The two patents-in-suit disclose a method of thawing frozen ground so that a layer of concrete can be laid on top of the ground.

The patented methods place rubber hoses on the ground around or within a concrete form and then circulate a heated liquid through the hoses, thawing the frozen ground and preventing concrete from hardening too quickly.

“Because no reasonable trier of fact could have found that the ’119 patent did not provide sufficient information to allow a person of ordinary skill in the art to locate the ’119 application, including the figures contained therein, we agree with the district court and conclude that the application was ‘publicly accessible,’ and hence an invalidating § 102(b) prior art reference.”
Slip op. at 9.

More than thirteen years before the filing of the applications that issued as the patents-in-suit, another inventor filed an application that issued as Canadian Patent 1,158,119 (“the ’119 patent”). The ’119 patent discloses a method of heating structures by having heated liquid flow through flexible

hoses. Two figures illustrating the use of the disclosed system to thaw frozen ground were cancelled during prosecution, but remained in the file wrapper of the ’119 patent.

After Mark Bruckelmyer, the inventor of the patents-in-suit, sued Ground Heaters, Inc. (“Ground Heaters”) for infringement, Ground Heaters filed a motion for SJ of invalidity based in part on the two figures cancelled from the ’119 patent. In granting Ground Heater’s motion, the district court concluded that the cancelled figures constituted § 102(b) prior art because the ’119 patent and its application were available for public inspection at the Canadian Patent Office more than one year before the priority dates of the patents-in-suit.

On appeal, Mr. Bruckelmyer argued that a patent application located in a foreign patent office is not “publicly accessible” just because

it is laid open for inspection by the general public for some period of time. Further, Mr. Bruckelmyer contended that the interested public was not able to locate the material in a meaningful way because the Canadian Patent Office did not index or catalogue the application.

The Federal Circuit concluded that the ’119 patent provided sufficient information to allow a person of ordinary skill in the art to locate the ’119 patent application and the figures contained within. In doing so, the Court followed the reasoning of its predecessor court in *In re Wyer*, 655 F.2d 221, 226 (C.C.P.A. 1981). In *Wyer*, the Court of Customs and Patent Appeals concluded that the published abstract of an Australian patent application allowed one skilled in the art exercising reasonable diligence to locate the associated foreign patent application. The existence of the published abstract and the fact that the application was classified and indexed in the Australian patent office were central to the conclusion that the application was “publicly accessible.”

The Federal Circuit found that the issued ’119 patent was likely more informative of the content of its application than the published abstract at issue in *Wyer*. Further, the Court concluded that it did not matter whether the ’119 patent application was meaningfully catalogued or indexed because the ’119 patent application was indexed and would have led one skilled in the art to locate the ’119 patent application. Accordingly, the Court affirmed the district court’s decision that the ’119 patent application was “publicly accessible,” and thus an invalidating prior art reference under § 102(b).

In the dissenting opinion, Judge Linn disagreed that the cancelled figures at issue were sufficiently accessible to the public as to constitute a printed publication for purposes of

§ 102(b). In distinguishing the issued '119 patent from the published abstract in *Wyer*, Judge Linn stated that the text of an issued patent does not generally lead researchers to the file history for a more expansive disclosure of the invention. Further, he found nothing in the text of the issued '119 patent to suggest that the invalidating structure disclosed in the cancelled figures would be present in the application file.

Parties' Agreement Under Rule 68 Did Not Require Payment of a Litigation Royalty

David C. Hoffman

Judges: Rader, Clevenger (author), Dyk

In *Parental Guide of Texas, Inc. v. Thomson, Inc.*, No. 05-1493 (Fed. Cir. Apr. 21, 2006), the Federal Circuit affirmed the district court's ruling that Thomson, Inc. ("Thomson") did not owe Parental Guide of Texas, Inc. ("Parental Guide") a contingent payment under an agreement that settled a previous patent infringement suit between the parties.

Parental Guide previously sued Thomson and several other parties for infringement of U.S. Patent No. 4,605,964 ("the '964 patent"). Parental Guide and Thomson eventually entered into a settlement agreement ("the Agreement") under which Thomson made a \$4 million payment. The Agreement also provided that if Parental Guide obtained a "Favorable Termination" of the suit, Thomson would make an additional contingent payment based on a "Litigation Royalty." However, if all defendants in the lawsuit were to settle with Parental Guide before any Favorable Termination of the lawsuit, Thomson would pay no further royalty.

Afterwards, Mitsubishi Digital Electronics America, Inc. ("Mitsubishi"), the sole remaining defendant in the lawsuit, filed an offer of judgment under Fed. R. Civ. P. 68 ("the Rule 68 offer"), which Parental Guide accepted. The district court then entered Final Judgment, assessing damages of \$1,098,250, based on a royalty rate of \$1.15 per unit.

Parental Guide then made a demand on Thomson for a contingent payment. Parental Guide argued that it had obtained a "Favorable Termination" of the lawsuit via the Final Judgment with Mitsubishi, thereby obligating Thomson to pay royalties to Parental Guide. After Thomson refused to pay, Parental Guide filed an action for breach of contract and the district court granted SJ in favor of Thomson, concluding that Thomson did not owe any contingent payment under the Agreement.

The Federal Circuit affirmed, noting that the parties in drafting the agreement used terms of art from patent law. In particular, the Court found that, by defining "Litigation Royalty" as "the lowest per unit reasonable royalty, if any, as expressly determined in the [l]awsuit in accordance with the law applicable to 35 U.S.C. § 284," the Agreement unambiguously contemplated that the "Litigation Royalty" would be a reasonable royalty determined by a judge or a jury after application of the *Georgia-Pacific* factors.

Because the terms of a judgment under Rule 68 are agreed upon by the parties, neither a jury nor the court expressly determined a reasonable royalty applying the *Georgia-Pacific* factors. Because there was no reasonable royalty determined in accord "with the law applicable to 35 U.S.C. § 284," there was no "Litigation Royalty." And without a "Litigation Royalty," there could be no contingent payment. Thus, the Federal Circuit concluded that the district court correctly interpreted the Agreement and affirmed its grant of SJ.

Abbreviations | Acronyms

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

Looking Ahead

- On April 4, 2006, the Federal Circuit heard oral arguments in *Figueroa v. United States*, No. 05-5144, in which Figueroa, a patent applicant, alleges that Congress's practice of using fees paid by applicants to the PTO for purposes other than supporting the PTO is unconstitutional.

Before the U.S. Court of Federal Claims, Figueroa asserted that the fee diversion (1) violates the Patent Clause, Article I, Section 8, Clause 8, of the U.S. Constitution; (2) is an unlawful taking; and (3) is a direct tax on inventors in violation of the Constitution. *Figueroa v. United States*, 66 Fed. Cl. 139, 140 (Fed. Cl. 2005). At the outset, the Court of Claims dismissed the direct tax claim for failure to state a claim and granted SJ to the United States on the unlawful taking claim. *Id.* The parties filed cross-motions for SJ on the illegal exaction claim, Figueroa's first basis for suit. The American Intellectual Property Law Association ("AIPLA") also submitted an amicus brief on the issue. While the AIPLA did not support either parties' SJ position, it noted that the diversion of funds from the PTO leads to increased examiner burdens and decreased patent quality; thus, Congress has acted to the detriment of the progress of the useful arts and the patent system. The Court of Claims granted SJ in favor of the United States, stating that "Congress' determination of federal spending priorities and how the patent system fits into national economic development goals is an eminently rational exercise of its power." *Id.* at 152.

Figueroa appealed the grant of SJ. Judges Newman, Dyk, and Prost heard the oral argument. We await a decision from the Federal Circuit in this closely watched case.

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Last Month at the Federal Circuit



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