

Last Month at the Federal Circuit

April 2006

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- In *U.S. Philips Corp. v. Princo Corp.*, No. 05-1388 (Fed. Cir. Mar. 27, 2006), the Federal Circuit vacated the district court's dismissal of Princo's patent misuse claim and remanded for further consideration in view of a recent Supreme Court decision, *Illinois Tool Works, Inc. v. Independent Ink, Inc.*, No. 04-1329 (U.S. Mar. 1, 2006), and its own decision in *U.S. Philips Corp. v. International Trade Commission*, 424 F.3d 1179 (Fed. Cir. 2005).

The Court explained that the district court erred in both interpreting § 271(d)(5) as a definition of patent misuse in the context of tying arrangements and stating that the statute is not implicated when multiple patents covering a single product are licensed. Rather, the recent Supreme Court and Federal Circuit cases hold that § 271(d)(5) only provides a safe harbor for certain conduct and is not a comprehensive definition of patent misuse. Therefore, the Court held that the district court erred in relying on § 271(d)(5) as the basis for its decision and, therefore, vacated and remanded the case.

Action for Breach of Patent License Agreement Does Not Establish Federal Jurisdiction Under 28 U.S.C. § 1338(a)

Matthew R. Van Eman

Judges: Newman (author), Lourie, Rader

In *Bonzel v. Pfizer, Inc.*, No. 05-1114 (Fed. Cir. Mar. 2, 2006), the Federal Circuit affirmed the district court's dismissal of an action for breach of a patent license agreement for lack of jurisdiction and *forum non conveniens*.

Dr. Tassilo Bonzel is the inventor of patented catheters, which are widely used in coronary angioplasty. He is a German citizen, residing in Germany. In 1986, he granted an exclusive worldwide license to Schneider AG ("Schneider"), a Swiss corporation that was a subsidiary of Pfizer, Inc. ("Pfizer"). The license was negotiated in Germany, in the German language, and was to be construed according to German law. A 1995 modification to the agreement, negotiated under the same conditions, provided that the licensee would pay Dr. Bonzel a portion of any monetary recovery in any infringement action brought by the licensee.

In 1998, Pfizer sold Schneider to Boston Scientific Corporation ("Boston Scientific"). Boston Scientific acquired the exclusive license with this purchase, and its subsidiaries, both Minnesota corporations, are successors of Schneider. Dr. Bonzel contended that the sale was at least partially in settlement of an infringement suit brought by Schneider in Massachusetts, and as such, he is entitled to monetary compensation in accordance with the license agreement.

"The nature of this contract action does not change because the contract is a patent license and the assertedly failed contract obligation is the obligation to notify of patent infringement and share payment for infringement. These obligations do not 'arise under' the patent law, in terms of a well-pleaded complaint."

Slip op. at 7.

Therefore, Dr. Bonzel filed suit in Minnesota state court against Pfizer and Schneider, and joined Boston Scientific as an involuntary plaintiff, alleging breach of contract. The defendants removed the case to the federal district court, asserting diversity and federal jurisdiction. Dr. Bonzel asserted that the case involved a contract dispute, not patent infringement or patent rights, and on Dr. Bonzel's motion, the district court remanded the case to state court, holding that

there was no federal question and that diversity did not apply because foreign entities were opposing each other. Upon return of the case to state court, the Minnesota court dismissed the suit on the ground of *forum non conveniens*. The Minnesota Court of Appeals affirmed.

Dr. Bonzel then filed a new action in the U.S. District Court for the District of Minnesota, alleging that issues of patent infringement required determination. He asserted subject matter jurisdiction under 28 U.S.C. § 1338, a general federal question under 28 U.S.C. § 1331, diversity jurisdiction under 28 U.S.C. § 1332, and supplemental jurisdiction under 28 U.S.C. § 1367. The district court dismissed the case, finding no basis for federal jurisdiction and, alternatively, that the case should be dismissed for *forum non conveniens*.

On appeal, the Federal Circuit affirmed the district court's holding that there was no federal jurisdiction. The Court first addressed subject matter jurisdiction under 28 U.S.C. § 1338. Although the district court held that Dr. Bonzel was estopped from arguing that the case arose under patent law, the Federal Circuit declined to decide the jurisdictional issue on estoppel grounds. Dr. Bonzel had sufficiently changed his complaint to warrant a "fresh look" in the district court; however, the Court held that the suit was still a contract and tort case, not a patent case.

The Federal Circuit also affirmed the district court's holding that diversity jurisdiction under 28 U.S.C. § 1332 does not apply in this case. Dr. Bonzel argued that Schneider was simply a shell and owned by Pfizer, a U.S. company. However, the Court agreed that Schneider was the original licensee, had negotiated the agreement, and was a necessary party, thereby defeating diversity jurisdiction.

In addition, the Federal Circuit rejected Dr. Bonzel's argument that the Paris Convention and Treaty of Friendship, Commerce, and Navigation required the U.S. courts to provide access to foreigners. The Court noted that these treaties require the courts to provide equal protection under the law, but do not establish jurisdiction under 28 U.S.C. § 1331. Further, the Federal Circuit agreed with the district court's dismissal for *forum non conveniens*. The Court held that the threshold issues in Dr. Bonzel's claims require contract interpretation and application under German law. Because the case had been properly dismissed for *forum non conveniens*, Dr. Bonzel had not been denied equal protection under the law.

Therefore, the Court found no basis for jurisdiction and, alternatively, that the case should be dismissed for *forum non conveniens*.

Infringement Analysis for Design Patents Requires Consideration of the Overall Design, Not Ornamental Features Alone

Maximilienne Bishop

Judges: Mayer, Rader (author), Dyk

In *Amini Innovation Corp. v. Anthony California, Inc.*, No. 05-1159 (Fed. Cir. Mar. 3, 2006), the Federal Circuit reversed the district court's grant of SJ of noninfringement of copyrights and a design patent. Amini Innovation Corporation ("Amini") began selling two collections of bedroom

furniture in 2000 and 2001. Amini holds copyright registrations for the “carved ornamental woodwork” in various pieces in these collections, and owns a design patent for one of its bed frames. Amini’s competitor, Anthony California, Inc. (“Anthony”) sells two collections of bedroom furniture as well. In August 2003, after Anthony’s furniture went on sale, Amini informed Anthony of its belief that Anthony was infringing Amini’s copyrights and patent, and demanded that Anthony stop selling the accused products. Anthony disagreed.

Amini sued Anthony and its president James Chang for six counts of copyright infringement and one count of design patent infringement. The district court granted SJ of noninfringement on all counts. Amini appealed.

On appeal, the Federal Circuit reversed and remanded on all counts. Regarding the copyright infringement, the Court, applying Ninth Circuit law, held that the district court did not correctly apply the test for copying. Amini sought to prove copying by showing Anthony had access to the protected work before making its accused products, coupled with substantial similarity of the protected and accused designs. The Court held that the record was inconclusive as to whether Anthony had access to the protected designs. Therefore, a strong showing of substantial similarity was required to prove infringement. The Ninth Circuit test for substantial similarity involves two steps. First, for the “extrinsic test,” the elements of the protected and accused designs are compared. Second, for the “intrinsic test,” the fact-finder subjectively compares the overall concept and feel of the designs. The Court held that the district court

erred in expanding the “extrinsic” part of the test by evaluating the overall concept and feel of the works. Moreover, the fact intensive question of the total concept and feel was improper on SJ. Noting a few of the unique features shared by the protected and accused designs, the Court held that a reasonable jury could conclude that some of the designs satisfy the required heightened showing of substantial similarity and, therefore, vacated SJ.

Regarding infringement of the design patent, the Federal Circuit again held that the

“[T]he trial court mistakenly analyzed each element separately instead of analyzing the design as a whole from the perspective of an ordinary observer.” Slip op. at 11.

district court did not correctly apply the test for infringement. First, the Court construed the claim to extend to the overall design of the bed frame, including both ornamental and functional features. The Court explained that infringement of a design patent occurs if the claimed and accused product designs are so similar as to deceive the ordinary observer, causing the observer to mistake one product for the other. This deception results from the similarity of the overall designs, not from the similarities in ornamental features alone. The Court held that the district court applied the ordinary observer test too narrowly by comparing each element in isolation, rather than looking at the similarity of the designs as a whole. The Court held that it cannot agree that no reasonable jury could find substantial similarity and, therefore, vacated SJ.

In addition, the Federal Circuit noted that Amini had not yet shown which features of its designs were novel. Therefore, the Court

instructed Amini to introduce additional evidence on remand, such as the prosecution history and the relevant prior art references, to show points of novelty.

DJ Action Requires More Than Apprehension of Customers Being Sued

Salvatore J. Arrigo

Judges: Lourie (author), Rader, Linn

In *Microchip Technology Inc. v. Chamberlain Group, Inc.*, No. 05-1339 (Fed. Cir. Mar. 15, 2006), the Federal Circuit vacated the district court's decision granting SJ in favor of Microchip Technology Inc. ("Microchip") and remanded the case for dismissal because of lack of jurisdiction.

Microchip manufactures microprocessors and sells its microprocessors to various entities, some of which make garage door openers (GDOs) that incorporate these microprocessors. The Chamberlain Group, Inc. ("Chamberlain") is a manufacturer and seller of GDOs. Chamberlain is the owner of U.S. Patent No. 4,750,118 ("the '118 patent"), and three reissues of this patent: U.S. Patent Re. 36,703 ("the '703 patent"); U.S. Patent Re. 35,364 ("the '364 patent"); and U.S. Patent Re. 37,986 ("the '986 patent"). The claims of these patents are directed to GDOs. Chamberlain and Microchip had previously entered into a settlement agreement to end another patent lawsuit under which Chamberlain received a license under several of Microchip's patents and Chamberlain agreed not to bring suit against Microchip or its affiliates for infringement of the '118 and '364 patents.

After Chamberlain initiated lawsuits against Microchip's customers, Microchip filed a DJ action in district court that the '364 and '703 patents were invalid and/or unenforceable, that Microchip's products did not infringe the '364 or '703 patents, and that Chamberlain could not enforce the '364 and '703 patents against Microchip's customers. Chamberlain responded with a motion to dismiss for lack of jurisdiction. The district court concluded that it had jurisdiction and granted SJ in favor of Microchip. Chamberlain appealed.

The Federal Circuit agreed with Chamberlain that jurisdiction under the Declaratory Judgment Act was lacking. The Court noted that it had articulated a two-part test in *Medimmune, Inc. v. Centocor, Inc.*, 409 F.3d 1376, 1379 (Fed. Cir. 2005), for determining jurisdiction, and that the first prong of the test required that the DJ plaintiff must establish a reasonable apprehension that it will face a patent suit if it commences or continues the activity at issue. The Court found that Microchip's apprehension that Chamberlain might sue its GDO customers was not sufficient to meet the first prong of this test.

In reaching its decision, the Court found that some underlying legal cause of action would need to exist between Microchip and Chamberlain in order for Microchip to meet the first prong of the test. However, there was no cause of action that Chamberlain could

“What is essentially at issue in this appeal is whether Microchip’s purported apprehension of its customers being sued satisfies the first criterion for declaratory judgment jurisdiction. We conclude that that apprehension, absent any ‘adverse legal interest’ existing between Microchip and Chamberlain, does not meet that test.” Slip op. at 10-11.

have brought against Microchip since Microchip was never accused of infringing Chamberlain's patents, no indemnification agreement existed between Microchip and its customers, nor was there any indication that Microchip was inducing or contributing to infringement by its customers. The Court found that, at most, Microchip had only an economic interest in clarifying its customers' rights under Chamberlain's patents so as to promote its own sales. Such an economic interest alone was insufficient for jurisdiction under the Declaratory Judgment Act. Thus, the Federal Circuit concluded that the district court lacked jurisdiction.

A Claim Term Should Be Given the Same Meaning in Different Claims

Zarema E. Gunnels

Judges: Michel (author), Gajarsa, Linn

In *Schoenhaus v. Genesco, Inc.*, No. 05-1278 (Fed. Cir. Mar. 15, 2006), the Federal Circuit affirmed the district court's grant of SJ of noninfringement, holding that the district court correctly construed the claim and correctly determined one of the claim limitations was not present in the accused line of footwear.

The patent-in-suit, U.S. Patent No. 5,174,052 ("the '052 patent"), is directed to an orthotic device for preventing hyperpronation of the foot. While the patent application was pending, the parties to the suit spent two and a half years negotiating a license agreement, but ultimately, defendants Genesco, Inc. and Johnston & Murphy, Inc. (collectively "Genesco") withdrew from negotiations. Eight years after negotiations ended,

Dr. Schoenhaus discovered what he believed to be an infringing shoe line in a Johnston & Murphy store.

"The patentee, of course, is only entitled to protection of the claims as issued, not as filed."
Slip op. at 9.

Dr. Schoenhaus and Mr. Richard Jay (collectively "Schoenhaus") filed suit, alleging infringement of the '052 patent, misappropriation of trade secrets, conversion, and unjust enrichment. In response, Genesco asserted a counterclaim of invalidity. In its decision on SJ, the district court construed two limitations of claim 1 of the '052 patent and found as a matter of law that the limitations were not present in the accused shoes. As a result, the district court granted Genesco's motion for SJ of noninfringement, dismissed the counterclaim of invalidity as moot, and stayed further proceedings on the state law claims pending the Federal Circuit's review of the infringement question.

On appeal, Schoenhaus argued that the district court erred in its claim construction. The primary issue on appeal was whether the limitations of claim 1 of the '052 patent must be found in a removable insert or immovable insert portion of a shoe, or whether other parts of the shoe construction can meet the limitations. Relying on the specification, Schoenhaus urged the latter.

In its analysis, the Federal Circuit first examined the use of the term "orthotic device" in the claims. The term appears in claims 1 and 2, and "there is a 'presumption that the same terms appearing in different portions of the claims should be given the same meaning unless it is clear from the specification and prosecution history that the terms have

different meanings at different portions of the claims.” Slip op. at 5 (citation omitted) (emphasis omitted). Because inserting Schoenhaus’s proposed definition made claim 2 nonsensical, the Federal Circuit rejected that construction. Therefore, the Court construed the term “orthotic device” to refer to a removable insert or immovable insert portion of a shoe, and any subsidiary limitations of claim 1 must be found in the insert, not another part of the shoe.

Turning to the subsidiary limitation of rigidity in claim 1, the Federal Circuit affirmed the district court’s construction that the term “rigid,” as used in “a deep rigid heel seat,” requires that the heel seat be “rigid” on its own. The Court rejected Schoenhaus’s argument that the rigidity limitation was met because the “semi-rigid” insert effectively became “rigid” when viewed together with the rear portion of the shoe upper that surrounds the heel. The Court also rejected Schoenhaus’s alternative argument that the term “rigid” should be construed to include “semi-rigid” based on the specification. The Federal Circuit acknowledged that patentees are free to act as lexicographers by defining claim terms in a patent specification or file history. However, the Court rejected Schoenhaus’s proposed definition of “rigid” because the use of the phrase “semi-rigid material” in the specification was insufficient to disclaim the requirement in claim 1 that the “heel seat” be “rigid.” In addition, the Court noted that the file history did not contain any evidence to support Schoenhaus’s proposed construction. While claim 1, as originally filed, did not include the “rigid” limitation, Schoenhaus adopted that limitation during prosecution when suggested by the examiner. The PTO record did not reveal the reason for the claim amendment; therefore, the Federal Circuit presumed that the limitation was added because of a substantial reason related to

patentability. Furthermore, the Court explained that a patentee is only entitled to protection of the issued claims, not the claims as originally filed.

Because Schoenhaus admitted that the heel seat in the accused shoe was only semi-rigid, the Court held that the district court properly granted SJ of noninfringement.

Claim Preamble Recited Essential Elements Limiting Claim Scope

Kenie Ho

Judges: Michel, Bryson (author), Gajarsa

In *Bicon, Inc. v. Straumann Co.*, No. 05-1168 (Fed. Cir. Mar. 20, 2006), the Federal Circuit affirmed a district court’s SJ of noninfringement and dismissal of Bicon, Inc. (“Bicon”) as a party plaintiff for lack of standing.

Diro, Inc. (“Diro”), owner of U.S. Patent No. 5,749,731 (“the ’731 patent”) and its nonexclusive licensee, Bicon, sued The

Straumann Company and Institut Straumann AG (collectively “Straumann”) for patent infringement based on Straumann’s sale of two devices that were used in the preparation of crowns for dental implants. Diro and Bicon alleged that Straumann’s devices infringed claim 5 of the ’731 patent. After construing the claim, the district court granted SJ of noninfringement to Straumann. The district court further held that the evidence proffered in the course of the SJ

“[C]laims are interpreted with an eye toward giving effect to all terms in the claim.” Slip op. at 8.

proceedings did not justify finding Bicon as an exclusive licensee with standing to sue, even as a complaintiff with the patent owner, Diro.

On appeal, the Federal Circuit rejected Diro's argument that the claim was not limited by an "abutment" recited in the preamble. The Court held that the claim preamble recited essential elements of the invention pertaining to the structure of the abutment. It also concluded that the preamble had not been limited merely to stating the purpose or intended use of the invention because the claim body referred back to abutment features described in the preamble. It also indicated that if the claim was not limited to the particular abutment described in the preamble, several limitations in the body of the claim that referred to the abutment would be rendered meaningless.

Having affirmed that the claim preamble limited the scope of the claim, the Federal Circuit then concluded that the accused device did not infringe. Specifically, the Court concluded that the abutment in Straumann's device did not have a "frusto-spherical" surface as required by the claim preamble, but instead had a frusto-conical surface. The Court also concluded that there was no infringement under the doctrine of equivalents because "[a] claim that contains a detailed recitation of structure is properly accorded correspondingly limited recourse to the doctrine of equivalents." Slip op. at 17. That principle is especially true in this case, the Court explained, "where the claim recites a particular shape for the basal portion of the abutment that clearly excludes distinctly different and even opposite shapes." *Id.* The Court thus concluded that the shapes in the accused device were contrary to, and thus excluded by, the shapes recited in the claim and therefore could not be an equivalent.

The Federal Circuit also affirmed that Bicon lacked standing. The only evidence Bicon cited in support of its contention as an exclusive licensee was the testimony of its president, who testified that Bicon's right to practice the patent was "exclusive at the moment," and explained that this meant it was "exclusive" only in the sense that Bicon was the only licensee at the time. The Federal Circuit concluded this evidence failed to show that Bicon was an exclusive licensee with the right to exclude other prospective licensees.

Trade Dress Mark for Clothing Was Product Design Requiring Proof of Acquired Distinctiveness

Edward J. Naidich

Judges: Lourie (author), Gajarsa, Linn

In *In re Slokevage*, No. 05-1389 (Fed. Cir. Mar. 21, 2006), the Federal Circuit affirmed the decision of the PTO Trademark Trial and Appeal Board ("Board") sustaining the refusal of an examiner to register the trade dress mark submitted by Joanne Slokevage. The Court concluded that substantial evidence supported the Board's finding that the proposed trade dress mark was product design and therefore required proof of acquired distinctiveness.

Slokevage filed an application to register a mark for certain types of clothing. She described the mark as a configuration that consisted of a label with the words "FLASH DARE!" and cut-out areas located on each side of the label consisting of holes and flaps. The trademark examiner refused registration of the proposed trade dress configuration on

the ground that it was not inherently distinctive, but afforded Slokevage the opportunity to submit evidence of acquired distinctiveness or to disclaim the design elements of the configuration. Slokevage declined, instead arguing that the trade dress was inherently distinctive. The examiner made final his refusal to register the mark on the ground that Slokevage's proposed trade dress constituted product design, which cannot be inherently distinctive. The examiner also found that the configuration was not "unitary," for purposes of avoiding the requirement to disclaim the design elements. The Board affirmed.

The Federal Circuit first held that the question of whether a trade dress mark is product design or not is a factual issue because it is akin to determining whether a trademark is inherently distinctive or whether a mark is descriptive, both of which are questions of fact. The Court explained that such issues are determined based on testimony, surveys, and other evidence.

The Court then agreed with the Board that Slokevage's trade dress constituted product design and therefore could not be inherently distinctive. The Court explained that in *Wal-Mart Stores, Inc. v. Samara Bros., Inc.*, 529 U.S. 205 (2000), the Supreme Court determined that product design can never be inherently distinctive and always requires proof of acquired distinctiveness to be protected. The *Wal-Mart* Court observed that a cocktail shaker shaped like a penguin is product design and also held that clothing decorated with hearts, flowers, and fruits is product design. The Federal Circuit concluded that those examples demonstrate that product design can consist of design features incorporated into a product. Slokevage argued that her trade dress was not product design because it did not alter the entire product but was more akin to a label

being placed on a garment. The Federal Circuit disagreed, finding that her proposed trade dress was not merely a design placed on top of a garment, but a design incorporated into the product itself. Moreover, the Court rejected Slokevage's argument that product design trade dress must implicate the entire product. The Court noted that the product design in *Wal-Mart* consisted of certain design features featured on clothing just like Slokevage's trade dress. Furthermore, the Court concluded that Slokevage's design served utilitarian and aesthetic functions, rather than a source identifying function, and it was therefore appropriate to require proof of acquired distinctiveness.

The Federal Circuit also noted that the *Wal-Mart* Court advised that in close cases, courts should err on the side of caution and classify ambiguous trade dress as product design. The Federal Circuit thus agreed with the Board that Slokevage's proposed trade dress was product design and, therefore, that she must prove acquired distinctiveness in order for her trade dress mark to be registered.

Lastly, the Court held that substantial evidence supported the Board's finding that Slokevage's proposed trade dress mark was not unitary, and thus the examiner properly required a disclaimer of the design elements. The Court noted that display of elements in the drawing of the trade dress, the applicant's earlier registration of the words "FLASH DARE!" on the Principal Register, and the applicant's design patent on the cut-out area were all evidence that Slokevage's trade dress was not unitary. The Court thus affirmed the decision of the Board.

Failure to Disclose Material Information Was Not Inequitable Conduct Where Most Omitted Material Was Disclosed Later During Prosecution

David C. Hoffman

Judges: Newman, Mayer, Gajarsa (author)

In *Kao Corp. v. Unilever United States, Inc.*, Nos. 05-1038, -1049 (Fed. Cir. Mar. 21, 2006), the Federal Circuit affirmed the district court’s ruling that U.S. Patent No. 6,306,382 (“the ’382 patent”) was valid and enforceable but not infringed.

“Intent to deceive ‘cannot be inferred solely from the fact that information was not disclosed; there must be a factual basis for a finding of deceptive intent.’” Slip op. at 14 (citing *Purdue Pharma L.P. v. Endo Pharms., Inc.*, 438 F.3d 1123, 1134 (Fed. Cir. 2006)).

Kao Corporation (“Kao”) owns the ’382 patent, which claims a cosmetic skin care product used to remove keratotic plugs—commonly known as blackheads—from facial skin. Unilever United States, Inc. (“Unilever”) produces the allegedly infringing

product under the trade name Pond’s Clear Pore Strips. Kao sued Unilever, alleging that Pond’s Clear Pore Strips infringed the ’382 patent. Following a three-day bench trial, the district court held that the ’382 patent was valid and enforceable, but not infringed by the Pond’s product.

On appeal, Unilever first argued that the district court erred in finding that the ’382 patent satisfied the written description requirement of 35 U.S.C. § 112. Unilever’s

argument focused on a limitation added by amendment to claim 1 that recited “wetting the skin or said cosmetic article” prior to applying the cosmetic article to the skin. Unilever asserted that the specification did not describe a wetting step but only embodiments in which the cosmetic article was already wet. Though the Federal Circuit noted that Unilever’s arguments were “not without force,” it concluded that it was “poorly positioned, relative to the finder of fact” to contradict the district court’s determination, which was not clearly erroneous.

Next, Unilever argued that the district court erred in finding Kao’s evidence of unexpected results sufficient to rebut its *prima facie* case of obviousness on three grounds. First, Unilever contended that it had suffered both “surprise and substantial prejudice” because Kao never notified Unilever of its intent to rely on evidence of unexpected results to rebut Unilever’s claim of obviousness. Second, Unilever argued that the district court failed to use the closest prior art in assessing Kao’s showing of unexpected results. Third, Unilever argued that the district court failed properly to assess “the totality of the evidence” in finding the ’382 patent was not obvious, contending that “the overwhelming weight of the evidence demonstrate[d] that the ’382 patent is obvious,” notwithstanding Kao’s successful showing of unexpected results.

The Federal Circuit dismissed Unilever’s first contention, noting that the evidence of unexpected results Kao relied on was in the prosecution history, which Unilever introduced into evidence. Next, the Federal Circuit asserted that, even if the district court had evaluated Kao’s evidence of unexpected results in light of the nonclosest prior art, such error would be harmless because Unilever did not allege that Kao’s results were any less

unexpected in view of what it considered to be the closest prior art. Finally, the Federal Circuit concluded that the “overwhelming evidence” cited by Unilever was “little more than the very evidence used to establish the *prima facie* case.” Slip op. at 12.

Unilever further argued that the district court erred in failing to find the ’382 patent unenforceable for inequitable conduct. The allegations were based on a declaration filed by one of the inventors during prosecution. The declaration reported unexpectedly effective results for one copolymer variant, but failed to disclose both negative test results for a related variant and the margins of error for the tests. The district court found that the withheld information was material, but concluded that Kao did not act with intent to deceive, because the omitted test results—but not the margins of error—were ultimately disclosed to the examiner, albeit more than one year after the declaration was filed. In affirming the district court’s decision, the Federal Circuit noted that, “although there certainly was evidence from which the trial court could have concluded that Kao acted with intent to deceive,” it was “very reluctant to question the judgment of the finder of fact, who appears to have considered the relevant evidence—including the rather glaring failure of the inventors to offer any rationale for the omission—in rendering the decision.” *Id.* at 14-15.

Finally, Kao cross-appealed the district court’s finding that Unilever’s product did not infringe the ’382 patent. The district court had construed claim 1 to require a particular acid or anhydride, but to exclude the salt form. Because Unilever’s product used the salt form, the district court found that Kao had failed to prove literal infringement. Kao argued on

appeal that (i) Unilever’s product in fact uses the acid, and not the salt; and (ii) even if Unilever’s product does use the salt, a salt can infringe an acid claim if the salt provides the same “beneficial effect” as the acid. The Court dismissed Kao’s first argument, finding it to be unsupported by any reference to the record or any other authority. As to the second argument, the Court found that Kao never challenged the district court’s construction of claim 1 that excluded the salt form of the acid. Thus, the Court concluded that a salt could not infringe claim 1 under the unchallenged claim construction even if the salt provided the same function as the acid. Moreover, Kao did not raise a DOE argument.

Judge Newman, concurring in part and dissenting in part, agreed with the panel’s decision to affirm the lower court’s findings that the ’382 patent was valid, and that Kao did not commit inequitable conduct, but dissented from its decision to affirm the lower court’s finding of noninfringement, arguing that the panel misunderstood the chemistry involved. Judge Newman agreed with Kao that 85.5% of the accused product is acid, with only 14.5% salt.

Judge Mayer, concurring in part and dissenting in part, agreed with the panel’s decision to affirm the trial court’s findings regarding the written description requirement, inequitable conduct, and noninfringement, but dissented from its decision to affirm the lower court’s determination of nonobviousness, arguing that Kao’s showing of unexpected results was insufficient as a matter of law to overcome the *prima facie* case of obviousness because Kao introduced no evidence that its invention removed plugs unexpectedly better than the closest prior art reference.

Patentee Has Burden to Show Infringement on Defendant's SJ Motion

Lei Mei

Judges: Gajarsa, Dyk (author), Prost

In *Exigent Technology, Inc. v. Atrana Solutions, Inc.*, No. 05-1338 (Fed. Cir. Mar. 22, 2006), the Federal Circuit affirmed the district court's grant of SJ of noninfringement, holding that Atrana Solutions, Inc. ("Atrana") need not produce evidence of noninfringement to support its SJ motion. In addition, the Federal Circuit reversed the district court's order denying as moot Exigent Technology, Inc.'s ("Exigent") motion to vacate the SJ grant and enforce the settlement agreement, vacated the district court's award of attorney fees and costs to Atrana, and remanded the case for further proceedings.

Exigent brought suit against Atrana, alleging infringement of U.S. Patent No. 6,651,885 ("the '885 patent"). After the scheduled close of fact discovery, Atrana filed an SJ motion on the issues of infringement, invalidity, and unenforceability. In that motion, Atrana stated that Exigent would not be able to establish infringement and explained that Atrana's systems did not contain certain claim limitations. The district court granted Exigent two extensions of time to respond to the SJ motion. Exigent then retained new counsel and filed a motion under Fed. R. Civ. P. 56(f) seeking another extension of time to complete fact and expert discovery before responding to the SJ motion. The district court denied Exigent's Rule 56(f) motion.

Exigent then reached an agreement in principle with Atrana to dismiss the case under

terms to be agreed and to license the patented system to Atrana in exchange for royalty payments. The parties would negotiate and sign a formal agreement within five business days. On the same day, however, the district court granted Atrana's SJ motion with respect to noninfringement and declined to reach the issues of invalidity and unenforceability. In doing so, the court construed several of the claim terms.

"[N]othing more is required than the filing of a summary judgment motion stating that the patentee had no evidence of infringement and pointing to the specific ways in which accused systems did not meet the claim limitations." Slip op. at 11.

Thereafter, the parties failed to execute a final settlement agreement. Exigent filed a motion requesting the district court vacate its decision granting SJ and enforce the settlement agreement. The district court denied the motion as moot and subsequently entered a final order of dismissal and awarded fees and costs to Atrana.

On appeal, the Federal Circuit affirmed the district court's grant of SJ for noninfringement. First, the Court found no reversible error in the district court's construction of the claim term "payment authority" because Exigent did not make the argument below that it asserted on appeal. In fact, the Court noted that the district court's construction was not at odds with what Exigent proposed below. Second, the Court found that Atrana did not have to support its motion with evidence of noninfringement, applying the Supreme Court's decision in *Celotex Corp. v. Catrett*, 477 U.S. 317 (1986).

The Supreme Court in *Celotex* held that on issues in which the nonmovant bears the

burden of proof, the movant need not produce evidence showing the absence of a genuine issue of material fact in order to properly support its SJ motion. Instead, the moving party's burden may be discharged by showing that there is an absence of evidence to support the nonmoving party's case. In light of *Celotex*, the Federal Circuit concluded that "nothing more is required than the filing of a summary judgment motion stating that the patentee had no evidence of infringement and pointing to the specific ways in which accused systems did not meet the claim limitations." Slip op. at 11. The Federal Circuit therefore agreed with the district court that Atrana discharged its burden as the SJ movant. The Court specifically pointed to Exigent's failure to present any argument or evidence of infringement in response to Atrana's motion and Exigent's admission that no evidence of the accused device was ever submitted as part of the SJ record.

The Federal Circuit also found that the district court did not abuse its discretion in denying Exigent's Rule 56(f) motion on the ground that Exigent had not been diligent. The Court noted that the district court granted Exigent two extensions of time to respond to the SJ motion after fact discovery was already closed. According to the Court, if Exigent believed that Atrana was not responding promptly to its discovery requests, it could have promptly sought the district court's assistance. In addition, the Court concluded that the district court has discretion regarding whether to receive expert testimony on claim construction, and thus rejected Exigent's argument that it should have been given time to complete expert discovery. Moreover, Exigent made an insufficient showing of the need for expert discovery on infringement.

Regarding the other issues on appeal, the Federal Circuit reversed and remanded the

district court's order denying as moot Exigent's motion to vacate the SJ grant and enforce the settlement agreement. In particular, the Court found that Exigent's motion was not moot because the district court retained jurisdiction despite the SJ decision since no final judgment had been entered. And if the agreement was enforceable, it rendered moot the entry of final judgment. The Court thus remanded for further proceedings to determine whether the settlement agreement was enforceable. Additionally, the Court vacated the district court's award of fees and costs to Atrana, so that the district court could reconsider its award after it determines the enforceability of the settlement agreement.

Board's Factual Findings on Motivation to Combine Were Supported by Substantial Evidence

Edward J. Naidich

Judges: Michel, Linn (author), Prost

In *In re Kahn*, No. 04-1616 (Fed. Cir. Mar. 22, 2006), the Federal Circuit affirmed the final decision of the Board, concluding that claims 1-20 in patent application number 08/773,282 ("the '282 application") were unpatentable as obvious under 35 U.S.C. § 103. The Court affirmed the Board's finding of obviousness because the factual findings underlying the Board's analysis, including the findings on motivation to combine, were supported by substantial evidence.

Leonard Kahn filed the '282 application, which involves a "reading machine" that may be used by the blind. The Board rejected the

'282 application over a combination of several prior art references, including the Garwin reference, two Anderson references, and the Stanton reference.

“When the Board does not explain the motivation, or the suggestion or teaching, that would have led the skilled artisan at the time of the invention to the claimed combination as a whole, we infer that the Board used hindsight to conclude that the invention was obvious.”
Slip op. at 12.

On appeal, Kahn did not dispute that each element of his claimed invention could be found in the Garwin reference, the Anderson references, or the Stanton reference. Nor did Kahn take issue with the Board's finding

that a person having ordinary skill in the art would have been motivated to modify the Anderson references in view of Garwin, or vice versa. Rather, Kahn challenged the sufficiency of the evidence supporting the Board's finding of a motivation to apply the teachings of Stanton to achieve the claimed invention.

Upon review of the Board's decision, the Federal Circuit found that the Board carefully examined the Anderson/Garwin combination and recognized that a skilled artisan confronted with the problem faced by Kahn would have been led by the teaching of Stanton to add features disclosed in Stanton to the Anderson/Garwin combination. Because the Board need only establish motivation to combine by a preponderance of the evidence to make its *prima facie* case, the Court concluded that substantial evidence supported the finding of a motivation to combine the teachings of Stanton to the Anderson/Garwin combination. The Court explained that

“[a]lthough a reasonable person might reach the opposite conclusion, there is far more than a ‘mere scintilla’ of evidence present from which a reasonable mind could find a motivation to combine.” Slip op. at 18.

Kahn also relied on *In re Lee*, 277 F.3d 1338 (Fed. Cir. 2002), and *In re Rouffet*, 149 F.3d 1350 (Fed. Cir. 1998), in arguing that the Board overstated the knowledge of the person having ordinary skill in the art and employed improper hindsight. The Court disagreed because, unlike in *Lee* and *Rouffet*, the Board in this case articulated a motivation to combine and placed it on the record. Specifically, the Board identified the problem confronted by Kahn and statements in the Garwin and Stanton references that supported a motivation to combine.

The Court also noted that Kahn did not attempt to rebut the Board's *prima facie* case by offering evidence of objective indicia of nonobviousness. Instead, Kahn invited the Federal Circuit to take judicial notice of the long-felt but unresolved need for a device that would help the blind read. Citing Fed. R. Evid. 201(b), the Court declined Kahn's invitation because “‘long-felt but unresolved need’ is not the kind of undisputed fact to which courts are accustomed to taking ‘judicial notice’ because a finding either way can ‘reasonably be questioned.’” Slip op. at 20. Further, the Court explained that its precedent requires that the applicant submit actual evidence of long-felt need, as opposed to argument. This is because “‘absent a showing of long-felt need or the failure of others, the mere passage of time without the claimed invention is not evidence of nonobviousness.’” *Id.*

Failure to Disclose a Full Translation of a Material Reference Did Not Show Deceptive Intent

Darrell N. Fuller

Judges: Lourie (author), Rader, Dyk

In *Atofina v. Great Lakes Chemical Corp.*, No. 05-1359 (Fed. Cir. Mar. 23, 2006), the Federal Circuit affirmed the district court's construction of the term "chromium catalyst" and its finding of noninfringement, but reversed the court's holdings of patent invalidity and unenforceability. Atofina owns U.S. Patent No. 5,900,514 ("the '514 patent") directed to a method of synthesizing difluoromethane (CH_2F_2) in the presence of a chromium (Cr) catalyst. Claim 1 requires that the process be conducted in the presence of an oxygen to methylene chloride molar ratio of 0.1 percent to 5 percent, at a temperature of between 330 and 450°C with a "bulk or supported chromium catalyst."

"[T]he applicants' failure to disclose the full English translation of JP 51-8220[6] is not in and of itself enough to infer intent, even if the full English translation went beyond the Derwent Abstract, which is far from clear." Slip op. at 18.

After a bench trial, the district court construed the claims of the '514 patent. Most notably, it construed "chromium catalyst" as a catalyst where the only catalytically active material is chromium *without* the addition of metal oxides or noninert additives. On appeal, the Federal Circuit agreed with this construction, relying on the specification, the prosecution history, and technical dictionaries. The Court gave particular weight to Atofina's arguments over

the asserted prior art in the prosecution history. Specifically, Atofina argued that its invention excluded the utilization of a combination catalyst, and that it was critical to use the chromium catalyst "alone rather than in combination with other metal components." These arguments led the Court to conclude that Atofina disclaimed coverage of metal oxides and noninert additives. As such, the Court agreed that Great Lakes Chemical Corporation's ("Great Lakes") process, which included a noninert additive, did not literally infringe the '514 patent.

Japanese publication 51-82206 ("JP 51-82206") played a prominent role in the Federal Circuit's anticipation and inequitable conduct analyses. During prosecution of the '514 patent, Atofina disclosed to the PTO an English language Derwent Abstract of JP 51-82206, but did not disclose the full translation, which it possessed. Moreover, the European counterpart of the '514 patent was rejected for lack of novelty over JP 51-82206, and issued only after Atofina amended its claims to include an additional limitation. Finally, Atofina characterized JP 51-82206 in several ways, most notably, as claiming a catalyst "containing chiefly chromium oxide and optionally other metals."

The district court ruled that the '514 patent was anticipated by JP 51-82206. Specifically, the district court determined that the broader temperature range of 100 to 500°C recited in JP 51-82206 anticipated the narrower temperature range of 330 to 450°C disclosed in the '514 patent. Further, the district court found that the Japanese reference's oxygen to methylene chloride ratio of 0.001 to 1 percent anticipated the '514 patent's claimed ratio of 0.5 to 3 percent. The district court found the full translation to be highly material because, in its view, the full translation of JP 51-82206

disclosed ranges that anticipated the '514 patent. As such, Atofina's failure to disclose the full translation of JP 51-82206 and its alleged mischaracterizations led the district court to declare the '514 patent unenforceable due to inequitable conduct.

The Federal Circuit disagreed with the district court and reversed its findings of anticipation and inequitable conduct. Regarding the finding of anticipation, the Court noted that "a species can anticipate a genus, not the reverse." Slip op. at 12. Thus, while the temperature ranges overlapped, the range disclosed in JP 51-82206 failed to describe the claimed range of the '514 patent with sufficient specificity to anticipate. Similarly, while the molar ratios overlapped slightly, no reasonable fact-finder could determine that the overlap describes the entire claimed range with sufficient specificity to anticipate the '514 patent.

Next, in reviewing the finding of inequitable conduct, the Federal Circuit agreed with the district court that JP 51-82206 was material information, but disagreed with the finding of intent to deceive the PTO. The Court noted that Atofina's failure to disclose the full English translation was "not in and of itself enough to infer intent, even if the full English translation went beyond the Derwent Abstract, which is far from clear." *Id.* at 18. Moreover, Atofina's alleged misrepresentations also failed to demonstrate the requisite intent to deceive. For example, the district court inferred intent because Atofina stated that JP 51-82206 disclosed a catalyst containing "chiefly chromium oxide," while JP 51-82206, but not its abstract, disclosed a catalyst of *pure* chromium oxide. The Federal Circuit, however, concluded this was insufficient to find intent because one could interpret Atofina's statement to also include pure chromium oxide. Nevertheless, Judge Dyk dissented on this point, characterizing

Atofina's statement as misleading, and would have remanded for further findings on the intent element.

In sum, while the Court affirmed the district court's claim construction and finding of noninfringement, it reversed the findings of invalidity and inequitable conduct.

Knowledge of Accused Product Provides Meaningful Context for Claim Construction

Alpa D. Gandhi

Judges: Lourie, Rader (author), Bryson

In *Wilson Sporting Goods Co. v. Hillerich & Bradsby Co.*, No. 05-1103 (Fed. Cir. Mar. 23, 2006), the Federal Circuit vacated a district court's claim construction relating to features of a softball bat and remanded the case for reconsideration of the disputed claim construction in light of the Federal Circuit's opinion.

"While a trial court should certainly not prejudge the ultimate infringement analysis by construing claims with an aim to include or exclude an accused product or process, knowledge of that product or process provides meaningful context for the first step of the infringement analysis, claim construction." Slip op. at 6.

The patent at issue, U.S. Patent No. 5,415,398, ("the '398 patent"), is owned by Wilson Sporting Goods Company ("Wilson") and covers a softball bat containing an insert within the bat body, which improves impact response. The insert is separated from the

outer bat frame by a gap, but adjoins the bat frame at its ends. Hillerich & Bradsby Company (“H&B”) brought a DJ action for noninfringement and invalidity of the ’398 patent. After the district court narrowly construed the claim terms “gap” and “insert,” the parties stipulated that the accused device did not infringe and the district court entered a stipulated Rule 54 judgment of noninfringement.

On appeal, the Federal Circuit began by explaining that “[w]hile a trial court should certainly not prejudge the ultimate infringement analysis by construing claims with an aim to include or exclude an accused product or process, knowledge of that product or process provides meaningful context for the first step of the infringement analysis, claim construction.” Slip op. at 6. The Court noted that neither the trial court nor the parties supplied it with any information about the accused products, and thus “this sparse record lacks the complete context for accurate claim construction.” *Id.* at 7. Despite the impediments to a full review, the Court perceived some flaws in the district court’s claim construction and thus offered some analysis to guide the district court on remand.

The Court began by examining the claim term “gap,” which the district court construed to mean the same in all claims: “a single continuous space or void between the interior of the frame and the exterior of the insert great enough to allow for deflection across the gap.” This definition precluded any contact between the bat frame and the insert at any point along the length of the insert before impact.

The Federal Circuit concluded that the various claims in the ’398 patent contain distinctions that cast doubt on the district court’s interpretation of “gap” and its conclusion that all of the disputed claims require a “single continuous space or void.” For example,

claim 1 features the gap in at least part of an annular shape, claim 15 makes the gap itself annular, and claim 18 has no annular requirement. Based on these differences in the claims, the Court concluded that claims 1 and 18 recited a description of the gap that did not preclude some contact between the frame and the insert. Thus, the Court defined “gap” for the purposes of claims 1 and 18 as merely “a separation.”

The district court also construed the term “insert” to require a hollow insert. The Federal Circuit noted, however, that only claim 15 implicitly required a hollow insert by calling for a “hollow bat.” Although the preferred embodiment of the invention has a hollow insert, the Court refused to read in a hollow insert claim limitation from the specification. It concluded that “insert” may be broadly defined to encompass both hollow and solid inserts, and yet have the same meaning in all claims.

The Federal Circuit also disagreed with the district court’s interpretation that the insert must be rigid. The Court noted that the term “rigid” is only used to describe the insert in claim 3 of the ’398 patent, and the single use of the term “rigid” does not import a “rigid” limitation into other claims. Rather, it implies that the term “insert,” when used elsewhere in the ’398 patent, does not inherently carry a “rigid” limitation. Moreover, the Court noted that during prosecution, the inventor distinguished a prior art reference by adding the “rigid” limitation to claim 3, but specifically did not include the “rigid” limitation in claim 15. Therefore, the district court erred in defining “insert” in all of the claims to be “rigid.”

In conclusion, the Federal Circuit reiterated that it “lacked the full context of this infringement action and the claim construction component of infringement because the record

on appeal contains no description of the accused infringing devices.” Slip op. at 13-14. For example, the Court explained that it was puzzled by the relevance of “rigid” in the claim construction analysis. Without some record evidence about the accused devices, the Court did not fully understand the necessity for inserting “rigid” into claims without that express language. Moreover, the Court stated, it could not “assess the meaning of ‘rigid’ in the context of this invention.” *Id.* at 15. The Federal Circuit thus instructed the district court to reconsider its construction in light of the Court’s opinion and “in the context of a detailed examination of the alleged infringement of particular claims by the accused devices.” *Id.*

Section 1337 Forbids Importation of Certain Gray Market Goods Even If Manufactured in the United States

Joshua C. Liu

Judges: Schall, Clevenger (author), Dyk

In *Bourdeau Bros., Inc. v. International Trade Commission*, No. 04-1588 (Fed. Cir. Mar. 30, 2006), the Federal Circuit vacated the decision of the ITC that the importation and sale in the United States of certain Deere & Company (“Deere”) European version forage harvesters infringed one or more of Deere’s federally registered trademarks. The Court remanded to determine whether Deere can establish that all or substantially all of the sales in the United States were materially different from the imported European forage harvesters. Deere manufactures and sells forage

harvesters in both the United States and Europe through a network of authorized dealers and distributors. Deere’s forage harvesters fit generally into two categories: the North American version harvesters, which are manufactured for sale in the United States and North America, and the European version harvesters, which are manufactured for sale in Europe. The North American and European versions, although sold under the same name, are different in a number of ways, including labeling and safety features. Some of Deere’s authorized dealers import and sell European model harvesters in the United States.

Deere filed a complaint with the ITC alleging violations of 19 U.S.C. § 1337 by the importation and sale in the United States of used European model Deere harvesters that

“[T]he importation and sale of a trademarked good of domestic manufacture, produced solely for sale abroad and not authorized by the owner of the trademark for sale in the United States, may violate section 1337 if the imported good is materially different from all or substantially all of those goods bearing the same trademark that are authorized for sale in the United States.” Slip op. at 9.

infringed Deere’s federally registered trademarks. Following an investigation, the ALJ found that the appellants’ importation of used Deere version forage harvesters violated section 1337. Following the ALJ’s recommendation, the ITC then issued a general exclusion order and cease and desist orders against the importers.

On appeal, the Federal Circuit began its analysis by explaining that 19 U.S.C. § 1337 grants the ITC the power to prevent the

importation of goods that, if sold in the United States, would violate one of the provisions of the Lanham Act. A type of such goods is “gray market goods,” or goods that were produced by the owner of a United States trademark or with its consent, but not authorized for sale in the United States. If gray market goods bearing a trademark have characteristics that render the gray market goods materially different from those trademarked goods authorized for sale in the United States, the public may become confused or even deceived with regard to the characteristics associated with the trademark.

The importers argued on appeal that, because the European model forage harvesters were manufactured in the United States, they are not “gray market goods” and, thus, the importation and sales of those harvesters cannot violate section 1337. The importers pointed to the decision in *K Mart Corp. v. Cartier, Inc.*, 486 U.S. 281 (1987), in which the Supreme Court noted that a gray market good is “a foreign-manufactured good, bearing a valid United States trademark, that is imported without the consent of the United States trademark holder.” The Federal Circuit disagreed with the importers’ arguments because *K Mart* did not address violations of either section 1337 or of the Lanham Act. Rather, *K Mart* addressed certain Customs regulations and the Tariff Act of 1930, both of which specifically referred to foreign-made articles. Thus, the Federal Circuit concluded that “*K Mart* should not be read to limit gray market theory, as it is applied in the context of section 1337, to goods of foreign manufacture.” Slip op. at 7.

Moreover, the Court noted that the relevant section of the statute in this case, 1337(a)(1)(c), makes no reference to the term “gray market” and does not distinguish between goods of domestic manufacture and goods of foreign manufacture. Thus, the Court concluded that “gray market law is not concerned with where the good was manufactured” but instead “is concerned with whether the trademark owner has authorized use of the trademark on that particular product in the United States.” *Id.* at 9.

Next, the Court explained that, in order to find a violation of section 1337, the imported goods must be materially different from all or substantially all of those trademarked goods authorized for sale in the United States. The Court found that substantial evidence supported the ALJ’s determination that there are material differences between the American and European models of Deere’s harvesters, including differences in safety features, the hitch mechanism, and the services provided along with the machine.

The importers, however, argued that Deere authorized the sales of European forage harvesters in the United States, including promoting the sale of European forage harvesters in the United States through its Web site. The Court concluded that “[i]f appellants are correct that Deere authorized such United States sales of European forage harvesters, and if such sales were sufficient in number to show that not all or substantially all of Deere’s United States sales were not materially different, Deere would not be entitled to section 1337 relief.” *Id.* at 13-14. The Court thus remanded for a determination on this issue.

Specification Plays a Key Role in Narrowing Claim Scope

Tina E. Hulse

Judges: Newman (author), Mayer, Bryson

In *On Demand Machine Corp. v. Ingram Industries, Inc.*, Nos. 05-1074, -1075, -1100 (Fed. Cir. Mar. 31, 2006), the Federal Circuit reversed the district court's judgment of infringement and vacated the jury's damages award. The Court also vacated the royalty-bearing license awarded during the appeal and found the cross-appeal by the patentee moot.

“Care must be taken lest word-by-word definition, removed from the context of the invention, leads to an overall result that departs significantly from the patented invention.” Slip op. at 19.

Plaintiff On Demand Machine Corporation (“ODMC”) owns U.S. Patent No. 5,465,213 (“the Ross patent”), which relates to a method of rapidly manufacturing a single copy of a book. According to the invention, a customer of a retail bookseller may use a computer console to

browse through the computer's book selection and purchase a book. A single copy of the book is then printed and bound, preferably at the same site. Defendants Lightning Source, Inc. (“Lightning Source”) and its corporate parent, Ingram Industries, Inc. (“Ingram”) print and sell books as ordered by publishers, wholesalers, and retailers, such as defendant Amazon.com, but do not sell directly to the public.

ODMC filed suit against the defendants, alleging willful infringement of claims 7 and 8. After construing the claims, the district

court instructed the jury accordingly. The jury then returned a verdict of willful infringement and awarded \$15,000,000 in compensatory damages. Despite the verdict of willfulness, however, the district court denied ODMC's request for enhanced damages and attorney fees given the closeness of the case. The district court also rejected ODMC's request for an immediate injunction and instead ordered the defendants to pay ODMC a percentage of the defendants' revenues for operations covered by the Ross patent while the appellate and postappellate proceedings were pending.

On appeal, the defendants challenged the district court's claim construction and disputed the various jury instructions based on the claim construction. The defendants also argued that no reasonable jury could have found infringement and that the damages award was excessive or speculative. ODMC, on the other hand, appealed the district court's grant of what it considered a compulsory license and claimed it had the right to an injunction.

In reviewing the district court's claim construction analysis, the Federal Circuit first noted that the district court's analysis occurred before the Court ruled on *Phillips v. AWH Corp.*, 415 F.3d 1303 (Fed. Cir. 2005) (en banc). As characterized by the Court, *Phillips* “stressed the dominance of the specification in understanding the scope and defining the limits of the terms used in the claim.” Slip op. at 8.

In accordance with *Phillips*, the Court primarily focused on the specification of the Ross patent when construing the various terms. The specification describes the invention as a system in which the retail

customer accesses promotional sales information on a customer module (e.g., a kiosk). The promotional sales information helps the consumer choose a desired book for purchase and then facilitates the high-speed manufacture of a single copy of a selected book on the immediate premises while the customer waits for a very short time.

In view of this disclosure, the Court considered the preamble phrase, “high speed manufacture of a single copy of a book,” as limiting because the specification suggested that this feature was fundamental to the Ross invention. Moreover, the Court construed the term “customer” to mean a retail customer (and not just anyone who buys goods or services), and construed the term “printing on paper pages” to require printing on pages (and not rolls or webs of paper that would require commercial-scale equipment for cutting the paper after printing). The Court also found that the claim term, “providing means for a customer to visually review said sales information,” requires that the bookseller provide a computer to the customer. It was undisputed that the defendants did not provide computers to their customers, but rather customers used their own computers to order books from Amazon.com.

To construe the term “sales information,” the Court relied on both the specification and the prosecution history. The specification makes clear that sales information is information that helps the consumer choose a book, and identifies descriptive material as promotional information (e.g., plot synopses, biographical information about the author). Moreover, in view of arguments made to distinguish the invention during the prosecution history, the Court also found that promotional material does not include file identifiers such as the title, author, or ISBN number. Accordingly,

the Court held that sales information requires that promotional information is stored in the computer that the consumer uses, and that file identifiers are not promotional information. Ingram and Lightning Source cannot infringe because books are ordered from the defendants based solely on file identifiers and not promotional information.

Based on the correct claim constructions, the Court held that no reasonable jury could find that any of the defendants infringe—the defendants do not sell directly to retail consumers by providing promotional sales information on a computer module so that single-copy books can be purchased and rapidly printed on paper pages. Accordingly, the Court reversed the judgment of infringement, vacated the damages award, and held ODMC’s cross-appeal to be moot.

United States Is Liable for Infringement of a Method Claim Under 28 U.S.C. § 1498 Only When It Practices Every Claimed Step in the United States

Tryn T. Stimart

Judges: Per Curiam; Gajarsa (concurring), Plager (dissenting), Dyk (concurring)

In *Zoltek Corp. v. United States*, Nos. 04-5100, -5102 (Fed. Cir. Mar. 31, 2006), the Federal Circuit affirmed the Court of Federal Claims’s determination that 28 U.S.C. § 1498 bars Zoltek Corporation’s (“Zoltek”) claims of patent infringement by the United States. The Federal Circuit further reversed the Court of

Federal Claims's determination that it had jurisdiction under the Tucker Act based on a violation of the Fifth Amendment.

Zoltek is the assignee of U.S. Patent Re. 34,162 ("the '162 patent") directed towards methods of manufacturing carbon sheets with controlled surface electrical resistivity. Zoltek brought suit in the Court of Federal Claims under § 1498(a) alleging that the United States and Lockheed Martin Corporation ("Lockheed") used the methods claimed in the '162 patent when Lockheed's subcontractors made fiber products used in the F-22 fighter jet.

"[W]here, as here, not all steps of a patented process have been performed in the United States, government liability does not exist pursuant to section 1498(a)." Slip op. at 6.

The United States moved for partial SJ that Zoltek's claims were barred by § 1498(c) because at least one step in the claimed method was performed outside the United States in Japan. The trial court agreed that Zoltek's § 1498(a) claim was barred under § 1498(c), a subsection that specifically bars § 1498 claims that "aris[e] in a foreign country." However, the court directed Zoltek to amend its complaint to allege a taking under the Fifth Amendment. The trial court determined that Zoltek could assert patent infringement under 28 U.S.C. § 1491(a)(1) (the Tucker Act). The Tucker Act grants the Court of Federal Claims jurisdiction to render judgment upon any claim against the United States founded upon the Constitution. Pursuant to the Tucker Act, the trial court reasoned that jurisdiction lies under a taking in violation of the Fifth Amendment. The court certified its analysis under 28 U.S.C. § 1292(d)(2) and both parties appealed.

On appeal, the Federal Circuit affirmed the trial court's determination that § 1498(c) barred Zoltek's claims but reversed the court's determination that a taking occurred in violation of the Fifth Amendment. Relying on its recent decision in *NTP, Inc. v. Research in Motion, Ltd.*, 418 F.3d 1282 (Fed. Cir. 2005), the Court noted that (i) direct infringement under 35 U.S.C. § 271(a) is a necessary predicate for government liability under § 1498; and (ii) a process cannot be used within the United States as required by § 271(a) unless each of the steps is performed within this country. Here, because not all steps were performed in the United States, government liability could not exist pursuant to § 1498(a).

Regarding the trial court's Fifth Amendment determination, the Federal Circuit held that the Supreme Court decision in *Schillinger v. United States*, 155 U.S. 163 (1894), is still controlling law. In that case, the Supreme Court rejected the argument that a patentee could sue the government for patent infringement as a Fifth Amendment taking under the Tucker Act.

Moreover, the Federal Circuit disagreed with the trial court's determination that the Supreme Court overruled *Schillinger sub silentio* in its later decision in *Crozier v. Fried. Krupp Aktiengesellschaft*, 224 U.S. 290 (1912). The Federal Circuit reasoned that although *Crozier* analyzed the 1910 Patent Act (later amended and recodified as § 1498) in terms of takings and protecting property rights, the Supreme Court was merely analogizing patent infringement by the government to "taking" a compulsory license. The Federal Circuit further noted that in response to *Schillinger*, Congress provided a specific sovereign immunity waiver in the 1910 Patent Act to allow a patentee to recover

for patent infringement by the government. The Court reasoned that had Congress intended to clarify patent rights as property interests under the Fifth Amendment, then there “would have been no need for the new and limited sovereign immunity waiver.” Slip op. at 11.

Judge Gajarsa, concurring, agreed that the Court was bound by its panel decision in *NTP* that held that direct infringement under § 271(a) is a necessary predicate for government liability under § 1498. However, Judge Gajarsa wrote, “the *NTP* proposition is, in my view, the result of an unchecked propagation of error in our case law, and its viability may eventually be challenged.” He further explained that reliance on *NTP* is not necessary since there exists an independent line of reasoning to affirm the Court of Federal Claims’s determination that Zoltek was barred under § 1498. Judge Gajarsa reasoned that § 1498(c) curtails the § 1498(a) sovereign immunity waiver and precludes an action based on infringing a method claim if at least one step of the method is practiced abroad.

Judge Dyk concurred to explain that the *NTP* decision correctly held that the government can only be liable for patent infringement under § 1498(a) if the same conduct would give rise to liability for a private party under § 271(a). Judge Dyk reasoned that the omission of “within the United States” language from § 1498(a) does not indicate that the government’s liability for patent

infringement is broader than that of private parties. Judge Dyk relied on the legislative history of the 1910 Patent Act and the 1918 Amendments to show that Congress was not creating liability; rather, Congress simply provided a remedy upon an existing liability and did not expand the rights of the United States beyond the rights of a private party. According to Judge Dyk, the *NTP* decision correctly interpreted § 1498(a) to require “use within the United States” and there was no need to decide the scope of § 1498(c) in this case.

Judge Plager dissented on both the Fifth Amendment takings and § 1498 analysis. Judge Plager disagreed with the majority’s interpretation of *Schillinger* equating a takings claim with an infringement action. Judge Plager reasoned that a takings claim is independent of a § 1498 claim. Judge Plager pointed to Supreme Court precedent to show that a takings claim is neither a contract nor a tort claim but a separate cause of action arising out of the Fifth Amendment. Judge Plager also pointed to the opening clause of the Tucker Act to show that a Fifth Amendment takings action may be brought in the Court of Federal Claims. Regarding the § 1498 claim, Judge Plager disagreed with the majority that § 1498 incorporates the territorial limitation of § 271(a). The dissent would hold the United States liable under § 1498(a) for an unauthorized use of a method patent unless all of the steps of the method are practiced abroad.

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

- The U.S. Supreme Court has approved a number of rule changes that will take effect on December 1, 2006, absent any action by Congress. These changes include:
 - Adoption of new Fed. R. App. P. 32.1 that requires federal courts to allow attorneys to cite unpublished opinions that issue on or after January 1, 2007.
 - Adoption of new Fed. R. Civ. P. 26(b)(5)(B), relating to inadvertent disclosures of privileged material. Under this new rule, if a party has produced information in discovery that it claims is privileged or protected as trial-preparation material, it may notify the receiving party of the claim, stating the basis for it. After receiving notification, the receiving party must return, sequester, or destroy the information, and may not use or disclose it to third parties until the claim is resolved. The receiving party has the option of submitting the information directly to the court to decide whether the information is privileged or protected as claimed and, if so, whether a waiver has occurred.
 - Adoption of a package of proposed amendments to the Federal Rules of Civil Procedure concerning the discovery of “electronically stored information.” The proposed amendments present a framework for the parties and the court to give early attention to issues relating to electronic discovery, including the frequently recurring problems of the preservation of evidence and the assertion of privilege and work-product protection.
- The FDA has planned a public meeting to be held in mid-October 2006 on FDA-regulated products containing nanotechnology materials. The purpose of the meeting will be to help the FDA further its understanding of developments in nanotechnology materials. The FDA wants information about new nanotechnology containing products under development in the areas of foods (including dietary supplements), food and color additives, animal feeds, cosmetics, drugs and biologics, and medical devices; whether there are scientific issues that should be addressed; and any other issues about which the regulated industry, academia, and the interested public may wish to inform the FDA concerning the use of nanotechnology materials in FDA-regulated products.

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Last Month at the Federal Circuit



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