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"READY FOR PATENTING" TEST FOR ON-SALE BAR DOES NOT REQUIRE SOFTWARE TO BE WRITTEN PRIOR TO CRITICAL DATE

Whether software needed to implement claimed method existed at the time of disclosure of invention is irrelevant, provided that disclosure was sufficiently specific to enable a person skilled in the art to practice the invention. *Robotic Vision Sys., Inc. v. View Eng'g, Inc.*, No. 00-1343 (Fed. Cir. May 7, 2001)1

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“Ready for Patenting” Test for On-Sale Bar Does Not Require Software to Be Written Prior to Critical Date

Michael A. Morin

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

In *Robotic Vision Systems, Inc. v. View Engineering, Inc.*, No. 00-1343 (Fed. Cir. May 7, 2001), the Federal Circuit affirmed a district court’s decision that the asserted claim of the Plaintiff’s patent was invalid under the on-sale bar of 35 U.S.C. § 102(b).

The asserted patent, U.S. Patent No. 5,463,227 (“the ‘227 patent”) was directed to a method of scanning the leads on integrated circuit devices that are arranged in rows and columns in a pocketed tray. Prior to the invention of the ‘227 patent, scanning devices scanned all four sides of each circuit before moving to the next circuit. In contrast, the method disclosed in the ‘227 patent scans across the entire tray, a full row or column at a time. According to the patent, this reduces the overall scanning time by minimizing the number of speed and direction changes.

The case has substantial procedural history. The district court had previously entered SJ against Robotic Vision Systems, Inc. (“Robotic”), finding the asserted claim invalid under the on-sale bar and for failure to disclose the best mode. The Federal Circuit reversed the district court’s SJ on the best-mode issue and vacated and remanded SJ on the on-sale bar issue, finding disputed material issues of fact as to whether the invention was “substantially complete” by that time. While the case was on remand, however, the Supreme Court decided *Pfaff v. Wells Electronics, Inc.*, 525 U.S. 55 (1998), in which it supplanted the Federal Circuit’s previous “substantially complete” standard with a “ready for patenting” test. According to the Supreme Court, the “ready for patenting” prong can be fulfilled by demonstrating, inter alia, that the invention was reduced to practice prior to the critical date or by proving that the inventor prepared drawings or other descriptions of the invention that were sufficiently specific to enable a person skilled in the art to practice the invention.

After a bench trial, the district court again found the claimed invention invalid under the on-sale bar, this time applying the *Pfaff* test. There was no dispute that Robotic had made a commercial offer for sale prior to the critical date. As to the “ready for patenting” test, the district court cited three sources of evidence that demonstrated that the claimed invention was “ready for patenting” prior to the June 24, 1991, critical date: (1) a description of the claimed method by Robotic personnel to an Intel representative that occurred on

February 8, 1991; (2) an explanation of the claimed method by one of the coinventors to another Robotic employee in March or April 1991, in which the coinventor described the method in sufficient detail to permit the employee to write the software needed to implement the method; and (3) the fact that Robotic’s code was written by May 22, 1991.

On appeal, the Federal Circuit focused on the second reason. It ruled that the coinventor’s explanation of the invention to his coworker was sufficiently specific for the coworker to understand the invention and to write the software needed to implement the method, regardless of whether the software was actually reduced to practice prior to the critical date.

The Federal Circuit also ruled that an inventor’s alleged skepticism about whether his invention will work for its intended purposes does not control because “[i]t will be a rare case indeed in which an inventor has no uncertainty concerning the workability of his invention before he has reduced it to practice.” *Robotic Vision*, slip op. at 9.

Since the claimed invention was ready for patenting prior to the critical date, and since Robotic had also made a commercial offer for sale prior to the critical date, the on-sale bar provision of 35 U.S.C. § 102(b) applied, and Robotic’s patent was, therefore, invalid.

New Reissue Rules Apply to Reissue Patents and Pending Reissue Applications

Kurt A. Luther

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

In *Shockley v. Arcan, Inc.*, No. 99-1580 (Fed. Cir. May 9, 2001), the Federal Circuit affirmed a district court’s grant of SJ, denial of intervening rights, and denial of postverdict damages motion. The Court, however, vacated the district court’s denial of a new trial on damages and reversed the district court’s ruling on joint and several liability.

The Plaintiff, Troy Shockley, sued Arcan, Inc. (“Arcan”); Telesis Corporation (“Telesis”); and Sunex International, Inc. (“Sunex”) (collectively “Defendants”) for infringement of Shockley’s U.S. Reissue Patent No. RE 35,732 (“the ‘732 patent”). At trial, a jury found that the Defendants willfully infringed the ‘732 patent and awarded Shockley damages totaling \$3,791,070, including a lost-profits award of \$791,070 and a future lost-profits award of \$3,000,000.

Shockley filed his reissue application to correct errors in U.S. Patent No. 5,451,068, which described and claimed a mechanic’s creeper. The Defendants argued that the ‘732 patent is invalid

under old rule 35 C.F.R. § 1.175, which required that the patentee declare, in detail, the nature and origin of each error in the original patent. New rule 35 C.F.R. § 1.175, which became effective on December 1, 1997—after the issue fee was paid on the reissue application but before the reissue patent had issued—is less stringent and requires only a general statement that the errors involved no deceptive intent. The Court concluded that the validity of the '732 patent should be considered in light of the new rule since the reissue application had been pending when the new rule took effect. Because the Defendants did not present any arguments as to why the '732 patent was invalid under the new rule, the Court held that the '732 patent was not invalid.

The Defendants further argued that they were entitled to “intervening rights” claiming that the infringing products had been on sale before the '732 patent issued. The Federal Circuit ruled that regardless of the sale status, the products had not been manufactured as of the date the '732 patent issued. Therefore, absolute intervening rights did not apply. Moreover, because the jury had found the Defendants’ infringement to be willful, the Court concluded that the Defendants’ unclean hands supported the district court’s decision not to apply equitable intervening rights.

The Federal Circuit also reviewed the district court’s denial of the Defendants’ motion for a new trial on damages. The Federal Circuit found that the district court had correctly denied the motion for a new trial because the Defendants had failed to move for JMOL at the close of evidence. However, the Federal Circuit ruled that the district court should have applied the “maximum recovery” rule, which prevents excessive damage awards. In particular, the Court found that the jury’s award of future lost profits totaling \$3,000,000 was excessive because the amount was based on speculative assumptions and not on sound economic models and evidence. Accordingly, the Court remitted the damages award to actual lost profits and remanded the case to the district court to offer Plaintiff the option of either a new trial on damages or the remitted damages totaling \$791,070.

Finally, the Defendants argued that joint and several liability should not apply in the present case. The Court acknowledged that parties making and selling an infringing device are joint tort-feasors with and, thus, jointly liable with, parties that purchase an infringing device for resale. However, one of the Defendants, Sunex, merely made the infringing devices abroad while the other Defendants, Arcan and Telesis, imported the devices into the United States and sold them. Accordingly, the Court found that because Sunex did not infringe the '732 patent, it cannot be held jointly liable with Arcan and Telesis for infringement of the '732 patent.

“Commercially Available” Vacuum Sensor Satisfies Structural Disclosure Requirements for Means-Plus-Function Limitations

Kara F. Stoll

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

In *Budde v. Harley-Davidson, Inc.*, No. 99-1533 (Fed. Cir. May 24, 2001), the Federal Circuit affirmed-in-part, vacated-in-part, and remanded a decision by the District Court for the Northern District of California. The two issues on appeal involved the construction of means-plus-function claim limitations and, more particularly, whether the patent specification disclosed structure corresponding to those limitations.

William Budde sued Harley-Davidson, Inc. and Harley-Davidson Motor Company (collectively “Harley-Davidson”) for infringement of U.S. Patent No. 4,955,348 (“the ‘348 patent”) in June 1997. The ‘348 patent relates to a fuel-injection-conversion system for two-cylinder motorcycle engines. For proper operation, fuel-injection systems typically receive timing information indicating which cylinder needs to be charged with fuel. Unlike most fuel-injection systems, which receive timing information from the engine’s spark distributor, the patented system derives timing information electronically. Specifically, the patent discloses deriving timing information by (1) measuring the camshaft position, (2) firing a timing pulse in response thereto, and (3) measuring the time between successive timing pulses so as to determine which of the two cylinders needs to be next charged with fuel. Steps (1) and (2) are performed by the engine’s standard ignition system, which already employs camshaft position sensors (e.g., points, solid-state devices, or Hall effect devices) and delivers pulses to fire the spark plugs in response to the camshaft position. The sensors track the camshaft position using a metallic timing cup having a pair of windows cut into the cup’s sides. The patent discloses feeding the output of the ignition system to an electronic control unit that measures the time span between successive pulses and, from that measurement, determines which cylinder should be injected with fuel.

Claim 1 of the ‘348 patent requires a “fuel injection conversion system” comprising, among other things, “an electronic sensing means for determining when the ignition system of the engine delivers an electronic pulse to fire each spark plug of the cylinders and producing an electronic signal in response thereto.” The district court had held that the structure corresponding to the claimed function had to actually sense the firing of each spark plug and could not be structure that simply

sensed the position of the camshaft. The district court then concluded that the patent specification failed to disclose structure corresponding to this means-plus-function element, but did not hold the claim invalid for indefiniteness under 35 U.S.C. § 112.

Claim 1 also requires a status-sensing means for measuring a combination of air intake and engine temperature and vacuum in the intake manifold and producing electronic signals therefrom. Despite Harley-Davidson's argument to the contrary, the district court had held that the patent specification did disclose structure corresponding to this means-plus-function element.

After concluding that he could not prove infringement based on the district court's claim construction, Budde moved the district court to enter a final judgment of noninfringement and appealed. Harley-Davidson filed a conditional cross appeal, asking that the Court review the district court's construction of "status sensing means" only if it reversed the district court's construction of "electronic sensing means."

Initially, the Federal Circuit ruled that a challenge to a claim containing a means-plus-function limitation as lacking structural support requires a finding by clear and convincing evidence because such a finding necessarily means that the claim is indefinite and is, therefore, invalid; and invalidity must be shown by clear and convincing evidence.

Turning to the plain language of the claims, the Court held that, contrary to the district court's construction, the function of "determining when the ignition system of the engine delivers an electronic pulse to fire each spark plug" does not require direct detection of electronic pulses. Rather, the determination can be indirect. Turning to the specification, the Court noted that the sensor that determines the position of the camshaft, in response to which another structure delivers a pulse to fire each spark plug, at least indirectly determines when the ignition system delivers an electronic pulse to each spark plug. The Court thus rejected the district court's construction, holding that the patent specification discloses structure (i.e., the camshaft position sensor) corresponding to the "electronic sensing means."

Having reversed the district court's construction of "electronic sensing means," the Federal Circuit turned to Harley-Davidson's conditional cross appeal of the construction of "status sensing means." As claimed, the "status sensing means" must measure vacuum in the intake manifold. According to the district court, the specification disclosed corresponding structure in the form of a "commercially available" vacuum sensor that produces an analog output. But, on appeal, Harley-Davidson asserted that such a generic reference would (1) improperly allow Budde to incorporate

by reference every commercially available vacuum sensor; and (2) prevent one of ordinary skill in the art from understanding the scope of claim 1. The Federal Circuit rejected both arguments, concluding that the only question was whether the characterization in the patent specification of the vacuum sensor would be understood by one skilled in the art as structure capable of performing the function recited in the claim limitation. Relying on the district court's finding that vacuum sensors were well known in the art, the Court answered this question affirmatively and affirmed the district court's construction of "status sensing means."

Federal Circuit Again Invalidates Prozac® Patent

Gregory A. Chopskie

[Judges: Gajarsa (author), Mayer, and Friedman]

In *Eli Lilly & Co. v. Barr Laboratories, Inc.*, No. 99-1262 (Fed. Cir. May 30, 2001), a Federal Circuit panel, for the second time, affirmed the district court's SJ that the patents-in-suit were not invalid for failure to disclose the best mode of carrying out the invention, but reversed the district court's holding that one of the asserted claims was not invalid for double patenting.

Eli Lilly and Company ("Lilly") charged Barr Laboratories, Inc. ("Barr") with infringement of its U.S. Patent Nos. 4,314,081 ("the '081 patent") and 4,626,549 ("the '549 patent") by Barr's filing of an Abbreviated New Drug Application with the Food and Drug Administration seeking approval to market a generic version of Lilly's Prozac®. The '081 patent claims the compound fluoxetine hydrochloride, the active ingredient in Lilly's Prozac® pharmaceutical. The '549 patent claims a method of blocking the uptake of serotonin by brain neurons in animals by administering the compound fluoxetine hydrochloride. The district court had granted Lilly's motions for SJ that the patents-in-suit were not invalid for failure to disclose the best mode of practicing the invention and were not invalid for double patenting.

On August 9, 2000, the Federal Circuit affirmed the district court's holding that the patents-in-suit were not invalid for violating the best-mode requirement, but reversed with respect to double patenting, finding claim 7 of the '549 patent invalid. In response to Lilly's petition for rehearing or rehearing en banc, the Federal Circuit, acting en banc, vacated the panel's earlier decision and reassigned the opinion to the panel for revision of the double-patenting section. In its second opinion, the panel again held that both the '081 patent

claim and the '549 patent claim were invalid, but on a new and different legal basis.

On appeal, Barr submitted two bases for its allegation that Lilly had violated the best-mode requirement. First, Barr argued that Lilly had violated the best-mode requirement by failing to disclose the preferred method of synthesizing the starting material used to make fluoxetine hydrochloride. Second, Barr contended that Lilly had failed to disclose the preferred recrystallization solvent used to remove impurities during the manufacturing process. With regard to the method of synthesizing the starting material used to manufacture fluoxetine hydrochloride, the Federal Circuit held that since neither of the patents-in-suit claimed the starting material or a method of synthesizing the starting material, and that the method of making the starting material was not necessary to carry out the claimed invention, Lilly was not required to disclose its preferred method. With regard to the recrystallization solvent, the Federal Circuit held that the recrystallization solvent was both an unclaimed element as well as a routine detail and, thus, did not need to be disclosed.

Turning to the question of obviousness-type double patenting, the panel again held claim 7 of the '549 patent invalid, but this time in view of claim 1 of U.S. Patent No. 4,590,213 ("the '213 patent"). Claim 1 of the '213 patent claims a method for treating activity in a human by administering an effective amount of fluoxetine or a pharmaceutically acceptable salt thereof.

The Court concluded that serotonin uptake inhibition is an inherent property of the administration of fluoxetine hydrochloride. Therefore, the only difference between the two claims is that the '213 patent claim is directed to humans while the '549 patent claim is directed to animals. Because humans are a species of the animal genus, the Court found no patentable distinction between the claims and held claim 7 of the '549 patent invalid for double patenting.

Licensing Negotiations and Infringement Letter Sufficient for Personal Jurisdiction

Jeanne M. Tanner

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

In *Inamed Corp. v. Kuzmak*, No. 00-1292 (Fed. Cir. May 15, 2001), the Federal Circuit reversed and remanded a district court's determination that it lacked personal jurisdiction over the Defendant, Dr. Lubomyr Kuzmak, in a DJ action.

Dr. Kuzmak, a resident of New Jersey, is an inventor on four patents directed to the treatment of obesity through the use of a gastric band to constrict the size of a stomach. Inamed Corporation, Inamed Development Company, and Bioenterics Corporation (collectively "Inamed") are all corporations with principal places of business in California.

Starting in 1989, Inamed and Dr. Kuzmak entered into a series of license agreements involving the gastric-band patents. The fourth license agreement ("the Agreement") granted Inamed an exclusive license to practice all four patents. In 1998, Inamed unsuccessfully attempted to renegotiate the Agreement. Dr. Kuzmak conducted all discussions with Inamed concerning these agreements by telephone and mail from New Jersey.

Following the termination of the Agreement, Dr. Kuzmak sent a letter to Inamed ("the infringement letter") stating that Inamed infringes valid claims of one of the gastric-band patents and willfully infringes two others.

In February 1999, Inamed filed a DJ action against Dr. Kuzmak in California seeking a declaration of patent invalidity, unenforceability, and non-infringement, and also alleging patent misuse and breach of contract. Dr. Kuzmak filed a motion to dismiss for lack of personal jurisdiction. The district court dismissed the action, finding that Dr. Kuzmak's contacts with California were not sufficient to maintain personal jurisdiction over him.

The Federal Circuit first set out its framework for reviewing the issue. Personal jurisdiction exists over an out-of-state defendant when a forum state's long-arm statute permits service of process and when the assertion of personal jurisdiction would not violate due process. Finding that California's long-arm statute is coextensive with the limits of due process, the Court collapsed the two inquiries into one—whether jurisdiction satisfies due process.

The Federal Circuit then applied its following three-factor test to determine whether personal jurisdiction over Dr. Kuzmak comported with due process: (1) whether the Defendant purposefully directed its activities at residents of the forum; (2) whether the claim arises out of or relates to the Defendant's activities with the forum; and (3) whether assertion of personal jurisdiction is reasonable and fair.

The Court first examined the facts concerning the infringement letter. Even though Dr. Kuzmak had sent the infringement letter to Inamed's attorney in New York, the Court found that this letter was directed at Inamed, a resident of California. Also, the Court found that this infringement letter had created an objectively reasonable apprehension that suit would be brought, because the letter asserted that Inamed willfully infringed at least two of Dr. Kuzmak's patents and infringed a third.

Recognizing that a notice of infringement letter, without more, is insufficient to satisfy due process over an out-of-state patentee, the Court considered Dr. Kuzmak's other activities. The Federal Circuit found that Dr. Kuzmak's successful negotiation of the license agreements with Inamed, even though conducted by Dr. Kuzmak by telephone or mail from New Jersey without any actual physical presence in California, were activities purposefully directed at residents of California.

The Federal Circuit also found that Inamed's claim arises directly out of Dr. Kuzmak's act of sending an infringement letter, because the central purpose of a DJ action is to clear the air of infringement charges. It further found that Inamed's misuse cause of action at least relates to Dr. Kuzmak's negotiation efforts leading to the license agreements.

Finally, the Court rejected Dr. Kuzmak's argument that the exercise of jurisdiction over him by a district court in California is unreasonable because he is ill and unable to travel. The Court stated there are other procedural avenues for obtaining relief based on this argument, such as a change of venue.

For Infringement Under 35 U.S.C. § 271(g), Process Must Be Patented at Time Product Is Made

Brian M. Burn

[Judges: Bryson (author), Clevenger, and Linn]

In *Mycogen Plant Science, Inc. v. Monsanto Co.*, No. 00-1127 (Fed. Cir. May 30, 2001), the Federal Circuit reversed the district court's SJ that the patent-in-suit is invalid under 35 U.S.C. § 102(g), affirmed the district court's ruling on the interpretation of 35 U.S.C. § 271(g), and affirmed the district court's ruling that Monsanto Company ("Monsanto") is not liable for infringement under the DOE.

Mycogen Plant Science, Inc. and Agrigenetics, Inc. (collectively "Mycogen") sued Monsanto for infringement of Mycogen's U.S. Patent No. 5,380,831 ("the '831 patent"). On Monsanto's motion for SJ, the district court ruled that the process claims of the '831 patent are invalid under 35 U.S.C. § 102(g) based on work done by scientists at Monsanto; that Monsanto could not have infringed Mycogen's process claims under 35 U.S.C. § 271(g) based on any process Monsanto performed before the '831 patent issued; and that prosecution history estoppel barred application of the DOE to the product claims of the '831 patent.

This case relates to another infringement suit between the same parties, *Mycogen Plant Science, Inc. v. Monsanto Co.*, 243 F.3d 1316 (Fed. Cir. 2001)

("Delaware I"). One of the two patents at issue in *Delaware I*, U.S. Patent No. 5,567,600 ("the '600 patent"), was also owned by Mycogen. The '831 patent and the '600 patent have virtually identical specifications and contain similar claims. In *Delaware I*, the Federal Circuit affirmed the district court's claim construction and the jury's verdict finding the claims of the '600 patent invalid due to prior invention under 35 U.S.C. § 102(g).

The independent process claim of the '831 patent recites a two-step method of designing a synthetic *Bacillus thuringiensis* gene to be more highly expressed in plants. The representative claim in the '600 patent, which was found invalid in the *Delaware I* litigation, recited a four-step method of designing such a gene. The first two steps in the '600 patent are also found in the '831 patent.

The Federal Circuit held that with regard to claim construction, the terms of the claims of the '831 patent must be construed consistently with the same terms in the '600 patent because claim construction had been litigated in *Delaware I* and in the district court below, and determination of that issue was necessary to a judgment in that case.

The Federal Circuit also held that a finding that Monsanto had reduced the four-step invention of the '600 patent to practice before September 9, 1988 (the date on which Mycogen had constructively reduced the invention to practice), necessarily means that Monsanto also had reduced the two-step invention of the '831 patent to practice prior to that date. The district court had determined that Mycogen was the first to conceive and that the conception occurred as early as November 1985. The Federal Circuit agreed. As to Monsanto's date of conception, the Federal Circuit found that the record compels the conclusion that Monsanto had conceived the invention at least by September 8, 1987.

However, the Federal Circuit concluded that the evidence of record raised a genuine issue of material fact as to whether Mycogen was diligent throughout the critical period, which started just before Monsanto's conception, i.e., September 8, 1987. As a result, the Federal Circuit reversed the district court's grant of SJ that the process claims of the '831 patent are invalid as anticipated by prior invention by Monsanto.

Monsanto also argued that the claims are not enabled under 35 U.S.C. § 112, ¶ 1. Finding that the *Delaware I* judgment did not give rise to collateral estoppel on this issue, the Court held that since the district court had not addressed this issue and the proper resolution was not sufficiently clear, the district court should be left to decide whether there is a genuine issue of material fact as to enablement.

Mycogen also appealed from the district court's SJ that Monsanto could not be liable under 35 U.S.C. § 271(g) for selling products containing

genes made by the process of the '831 patent before the '831 patent issued. Mycogen argued that section 271(g) applies to the postissuance sale of any product made by a patented process, regardless of when the accused infringer performed the process. Monsanto countered that while it is true that the use must occur during the patent term, section 271(g) also requires that the product be made by a process patented in the United States, and that products made before the patent issued are not so made. The Federal Circuit held that liability for selling or using products under section 271(g) requires that the patent be issued and in force at the time that the process is practiced and the product made.

Finally, the district court had ruled on SJ that the prosecution history estopped Mycogen from relying on the DOE to show infringement of those claims. The Federal Circuit noted from the prosecution history that certain original product claims were rejected on the grounds of obviousness and lack of enablement, and they were canceled and replaced by narrower claims. The Court held that the cancellation of a claim with a broad limitation in favor of a claim with a narrow limitation creates prosecution history estoppel just like an amendment to a claim. Hence, no range of equivalents is available for that claim limitation.

No Violation of Injunction Where Party Failed to Prohibit Conduct of Affiliate

Anand K. Sharma

[Judges: Bryson (author), Lourie, and Linn]

In *Tegal Corp. v. Tokyo Electron Co.*, No. 00-1239 (Fed. Cir. May 14, 2001), the Federal Circuit reversed a contempt citation and imposition of sanctions.

Tegal Corporation ("Tegal") sued Tokyo Electron America, Inc. ("TEA") and other Defendants for infringement of U.S. Patent No. 4,464,223 that relates to plasma-etching equipment used in fabricating semiconductor chips. Following a bench trial, the district court had entered judgment against TEA. As part of the relief granted, the district court had enjoined TEA from engaging in any further infringement "or in any way facilitating infringing acts by related corporations or corporate affiliates or corporate parents." (Emphasis added.)

Following entry of the injunction, Tegal filed a petition to show cause, charging that TEA and its parent corporation, Tokyo Electron Company ("TEL"), had violated the court-ordered injunction.

Specifically, Tegal alleged that TEA and TEL transferred the function of servicing semiconductor-etching systems from TEA to Tokyo Electron Massachusetts, Inc. ("TEM"), a wholly owned subsidiary of TEL. The district court agreed, finding both TEA and TEL in contempt of court for violating the injunction.

On appeal, TEA asserted that the district court had abused its discretion, because TEA had failed to stop any of its corporate affiliates from selling or servicing infringing products, which amounted to "facilitating" infringement.

The Federal Circuit disagreed with Tegal, however, and ruled that, absent a showing of control over another party, facilitating infringing acts requires some affirmative act beyond permitting that party to commit infringing acts. The Court noted that Tegal's assertion that inaction may constitute facilitation finds no basis in any legal principle and contradicts the statutory provisions governing active inducement of infringement, which similarly require an affirmative act of some kind.

In reviewing the record, the Federal Circuit concluded that Tegal had not only conceded TEA's inaction in TEM's alleged infringing acts, but also offered no evidence of TEA's control over TEM's activities. The Court, therefore, reversed the contempt citation and sanctions, explaining that the failure to take legal steps that could conceivably prevent particular conduct may permit the conduct to take place, but it does not constitute facilitation.

Exclusive Licensee Must Join Patent Owner

Andrew J. Vance

[Judges: Gajarsa (author), Lourie, and Schall]

In *Intellectual Property Development, Inc. v. TCI Cablevision of California, Inc.*, No. 00-1236 (Fed. Cir. May 7, 2001), the Federal Circuit affirmed a district court's decision to dismiss with prejudice the complaint of Plaintiffs/Counterdefendants, Intellectual Property Development, Inc. ("IPD") and Communications Patents Ltd. ("CPL"). The Federal Circuit also affirmed the district court's decision to dismiss without prejudice the counterclaim of Defendant/Counterplaintiff, TCI Cablevision of California, Inc. ("TCI-California"), for a DJ of noninfringement, invalidity, and unenforceability, based on a lack of subject matter jurisdiction.

U.S. Patent No. 4,135,202 ("the '202 patent"), assigned to CPL, is directed to wired broadcasting systems. Following a liquidation of CPL, IPD entered into an agreement ("the Agreement") with CPL that granted IPD an exclusive license in the

'202 patent to make, use, and sell the inventions disclosed in the patent, to grant sublicenses, to collect monies, damages, and/or royalties for past infringement, and to bring legal action for infringement. Under the Agreement, however, CPL retained the rights to: (1) require IPD to obtain CPL's revocable consent to proceed with litigation when CPL is a "necessary" party; (2) be fully informed and to be consulted with regard to litigation when CPL is not a "necessary" party; (3) assign all of its rights and obligations under the Agreement; (4) prevent IPD from assigning its benefit under the Agreement without prior written consent from CPL; (5) require its consent to settlements (which shall not be "unreasonably withheld"); and (6) collect fifty percent of profits realized from any patent litigation. IPD's "exclusive" license was also subject to a nonexclusive license in the '202 patent previously granted to third-party cable companies and their customers.

IPD filed a patent infringement action asserting the '202 patent against UA-Columbia Cablevision of Westchester, Inc. ("UA-Westchester") and Tele-Communications, Inc. ("TCI") in the United States District Court for the Southern District of New York ("N.Y. district court"). TCI, the parent of both TCI-California and UA-Westchester, filed a motion to dismiss the complaint, alleging that IPD lacked standing or, alternately, that CPL was an indispensable party. In response, IPD obtained a letter from CPL, wherein CPL agreed to be bound by any judgment issued in that case. The N.Y. district court denied TCI's motion, determining that IPD had standing to bring the suit in its own name.

Thereafter, IPD filed twelve other infringement actions against TCI's subsidiaries, including a suit against TCI-California in the United States District Court for the Central District of California ("California district court"). TCI-California responded by filing the above-mentioned DJ counterclaim and dismissal motion. Contrary to the decision of the N.Y. district court, the California district court agreed that IPD lacked standing, but permitted IPD to amend its complaint to add CPL as a party Plaintiff, thereby rectifying the "lack of standing" problem. In denying a motion of TCI-California for reconsideration, the California district court clarified that its decision that IPD lacked standing was based on prudential grounds, not a lack of constitutional standing.

Subsequently, IPD settled all of the cases against TCI subsidiaries except for the case against TCI-California. In the case against TCI-California, IPD filed a motion to voluntarily dismiss the action with prejudice pursuant Fed. R. Civ. P. 41(a) and to dismiss TCI-California's DJ counterclaim. Attached to IPD's motion was a statement of nonliability, stipulating that TCI-California had no liability under the '202 patent to IPD, CPL, or any successors in inter-

est thereto. The California district court had granted IPD's motion, and TCI-California appealed.

The first issue considered by the Federal Circuit was whether TCI-California had standing to bring this appeal. IPD argued that TCI-California lacked standing since its appeal sought a judgment identical to the lower court's, but for a different reason (i.e., lack of standing). TCI-California countered by arguing that the judgment failed to address the merits of its counterclaim for a DJ of invalidity and unenforceability, which left TCI-California with concerns based on indemnity and direct liability to potential transferees of rights in the '202 patent. Agreeing with TCI-California, the Federal Circuit held that TCI-California had standing to appeal because the lower court's decision failed to address all avenues of potential infringement liability.

The Federal Circuit next considered whether the lower court had properly dismissed TCI-California's DJ counterclaims for lack of subject matter jurisdiction in view of IPD's statement of nonliability and the voluntary dismissal with prejudice. Noting that the statement of nonliability filed by IPD and CPL estops IPD, CPL, and any successors in interest to the '202 patent from asserting liability against TCI-California for infringement of the '202 patent, the Federal Circuit held that TCI-California has no reasonable apprehension of an infringement suit based on the '202 patent and, therefore, fails to satisfy the justiciability test for its DJ counterclaim. In so holding, the Federal Circuit rejected an argument by TCI-California that it had a reasonable apprehension because it could be required to indemnify an entity that may be held to infringe the '202 patent in a future case.

Turning to the issue of IPD's standing to sue on the '202 patent, the Federal Circuit initially considered whether the Agreement between IPD and CPL conveyed some or all of CPL's substantial rights in the '202 patent to IPD. The Federal Circuit noted that in making such a determination it is helpful to consider rights retained by the grantor in addition to rights transferred to the grantee. Holding that the Agreement did not convey all of the substantial rights in the '202 patent to IPD, the Federal Circuit found significant the fact that the Agreement allows CPL to permit infringement in cases where it is a "necessary" party, requires CPL to consent to certain actions and be consulted in others, and limits IPD's right to assign its interests in the '202 patent. In view of the patent rights retained by CPL, the Federal Circuit held that the Agreement granting rights in the '202 patent to IPD did not amount to a transfer of title, but that IPD was an exclusive licensee having some but not all substantial rights in the '202 patent.

The Federal Circuit then applied the constitutional standing test and found that IPD satisfied each element of the test. Namely, the Federal

Circuit held that: (1) IPD suffered an injury in fact from TCI-California allegedly making, using, and selling the invention claimed in the '202 patent; (2) there was a causal connection between the injury and TCI-California's conduct; and (3) the injury would likely be redressed in a successful infringement suit against TCI-California. Accordingly, the Federal Circuit held that IPD suffered a constitutional injury.

Notwithstanding that IPD had satisfied the constitutional standing requirement, however, the Federal Circuit ruled that a prudential principal of standing requires a patent owner to be joined (either voluntarily or involuntarily) in any patent infringement suit brought by an exclusive licensee having fewer than all substantial patent rights. Since IPD was an exclusive licensee and not an assignee, IPD was required to join CPL in the infringement suit against TCI-California on prudential standing grounds. The Court concluded that the district court had not erred when it permitted IPD to join CPL after initially filing the suit solely. Since IPD and CPL had standing to maintain the suit, they had standing to move for a voluntary dismissal under Fed. R. Civ. P. 41(a). Therefore, the Federal Circuit affirmed the lower court's ruling.

Accused Technique for Implementing Standardized Error Correction Does Not Infringe

Richard L. Rainey

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

In *Oak Technologies, Inc. v. International Trade Commission*, No. 00-1078 (Fed. Cir. May 2, 2001), the Federal Circuit affirmed the ITC's finding of no infringement on the part of a collection of companies known as "MediaTek" of Oak Technologies, Inc.'s ("Oak") U.S. Patent No. 5,581,715 ("the '715 patent").

The '715 patent claims a CD-ROM controlling device including "data error detection and correction means for correcting said assembled data, said detection and correction means including error correction circuitry . . . and a cyclic redundancy checker." In general terms, the claimed device functions as an error filter between the disk containing the data and the host computer to which the data are being transferred. This function is accomplished, as interpreted by the ITC, by first performing an error check on a sector of data, then performing a correction of any errors occurring in that sector, and lastly rechecking the corrected sector of data.

The Federal Circuit agreed with the ITC that

"said assembled data" referred to an entire sector of data being transferred to the host computer and not to elements of data less than a sector. Specifically, the Court focused on the intrinsic evidence wherein Oak had acknowledged that in the context of CD-ROM technology, error-correction functions operate on a sector-by-sector basis. Oak argued, to no avail, that such an interpretation was misguided and that "assembled data" merely refers to CD-ROM data sent in serial form from the CD drive to the host computer. The Court cited the Yellow Book, the international manual that standardized the manner in which data are stored on CDs, for confirmation that both error detection and error correction are accomplished by a sector-by-sector scanning of the disk. And, as the Court noted, Oak's patent contemplates Yellow Book compliance.

The Federal Circuit then turned to the issue of the sequence of events in the claimed error-correction circuitry of the '715 patent. The Court agreed with the ITC that the term "after" indicates that the claimed sequence first requires error detection, followed by a Reed-Solomon error correction, and then a cyclic-redundancy check of the corrected sector. The specification explains that error-correction circuitry would first perform Reed-Solomon error correction on each sector of data. Then, a cyclic-redundancy check of the corrected data would follow. Logically, the Court reasoned, the first error detection and the subsequent error correction would have to be completed before the initiation of the cyclic-redundancy checker. Moreover, nowhere in the written intrinsic record was there a discussion of error detection and correction where those two steps did not occur in that particular sequence.

Finally, the Court considered the term "cyclic redundancy checker" ("CRC"). Oak argued that such language is not specific and, in fact, refers to any circuitry that performs a cyclic-redundancy check. However, the Federal Circuit found that, by interpreting this term in light of the other terms, specifically "assembled data" and "after," the only logical interpretation was that the CRC processed only sectors of data that already had been error corrected. While the Court acknowledged that other variations of CRC existed at the time of invention that would have been known in the art, it found no evidence in the intrinsic evidence that any of these alternative CRC operations were ever implemented in the invention. Accordingly, the Court agreed with the ITC that the term CRC means the error-detection process that follows error correction.

Turning to the issue of infringement, the Federal Circuit agreed with the ITC's finding that the MediaTek circuit does not meet the claim limitation requiring a CRC to be performed on a sector of data that had already undergone error correction.

Specifically, the Court noted that the MediaTek circuit performs its CRC on a sector of data before error correction. The Court, therefore, agreed with the ITC's finding of no literal infringement.

The Federal Circuit then analyzed whether the MediaTek circuit infringed the '715 patent under the DOE. The Court agreed with the ITC that differences between the claimed error-correction circuit and the accused circuit were substantial and, thus, there was no infringement under the DOE. First, the '715 patent uses a generator polynomial to perform a long-division operation on the entire error-detection codeword. The MediaTek circuit, however, uses an entirely different method, whereby the error location and pattern data obtained by the error detector are divided by the generator polynomial and the resultant is added to the initial error-detection remainder. Second, the claimed circuit requires the Reed-Solomon error correction to occur before the CRC performs its error detection. While the MediaTek circuit includes these two steps, the CRC always precedes the Reed-Solomon error correction. Third, the '715 patent circuit corrects errors in its data in complete sectors after those sectors have been error detected. The MediaTek circuit, however, performs simultaneous checks and updates to a thirty-two-bit error-detection code ("EDC") remainder. Fourth, the patented circuit performs its error correction as different operations in sequential form, whereas the MediaTek circuit performs its CRC before error correction and then continuously updates the EDC remainder while error correction takes place.

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Obvious Error in Prosecution Statement Not Held Against Patentee

Matthew T. Latimer

[Judges: Newman (author), Mayer, and Schall]

In *Biotec Biologische Naturverpackungen GmbH & Co. KG v. Biocorp, Inc.*, No. 99-1578 (Fed. Cir. May 14, 2001), the Federal Circuit affirmed a district court's claim construction and, accordingly, a jury's verdict of infringement. The Court also affirmed SJ that the patents were not invalid.

Biotec Biologische Naturverpackungen GmbH & Co. KG ("Biotec") charged Biocorp, Inc. and Novamont, S.p.A. (collectively "Biocorp") with infringement and inducing infringement of U.S. Patent Nos. 5,362,777 and 5,280,055. Biotec asserted that its patents, which cover substantially water-free thermoplastically processable starch ("TPS") and methods of making it, were infringed by Biocorp's product, which was manufactured in

Italy and imported into the United States.

The district court, on SJ, found the patents not invalid and enforceable. In doing so, it construed the claim term "substantially water free" to mean "a total water content of less than 5%." On appeal, Biocorp argued that, in view of the prosecution history, "substantially water free" means "substantially less than 5%." Biocorp relied on statements made in the prosecution history that discuss water contents of 1% and 3% and drawbacks associated with compositions having more than 3% total water. The Federal Circuit agreed that, although the term "substantially water free" is not defined in the specification, the prosecution history clearly shows that the term has the meaning found by the district court. The Court noted that the Applicant had filed two declarations in response to a rejection over the lack of a definition in the specification, both of which stated that those of skill in the art would understand "substantially water free" to mean "less than 5%." Accordingly, the Federal Circuit affirmed the district court's construction.

The district court had also determined that the crystalline content related to the content of only starch crystals in the composition, not the content of all crystals in the composition. On appeal, Biocorp argued that the district court had erred in not including all crystals under this claim term. The Federal Circuit disagreed, holding that the district court had heard reliable and relevant evidence on the issue.

Concerning infringement, Biocorp argued that its product does not infringe because it is not made using substantially water-free starch as a starting material and during prosecution, Biotec had stated that its process uses substantially water-free starch as the starting material. Biotec asserted that the statement made during prosecution was an obvious error on the part of its agent that one skilled in the art would quickly recognize. Biocorp countered that, regardless of whether the statement was made in error, the statement should be held against the patentee.

The Federal Circuit ruled that an error in the prosecution record must be viewed as errors in documents in general; that is, would it have been apparent to the interested reader that an error was made, such that it would be unfair to enforce the error? Finding that the error was apparent, the Court refused to restrict the claims as argued by Biocorp. Biocorp also argued that, although its TPS contains less than 5% water when produced, by the time it is imported into the United States, it contains more than 5% water and, thus, does not infringe. The Federal Circuit, reviewing the evidence presented at trial, rejected Biocorp's argument, stating that there was substantial evidence to support the findings of the jury.

On cross appeal, Biotec argued that the failure of Biocorp to obtain an opinion of counsel upon being accused of infringement should result in a finding that the infringement was willful. The Federal Circuit disagreed, however, citing the reliance of Biocorp's CEO on the noninfringement position of an employee who was a world-renowned expert in the art, together with the closeness of several issues concerning claim construction and infringement.

Multiplying Is Not Dividing

Howard W. Levine

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

In *AccuScan, Inc. v. Xerox Corp.*, No. 00-1316 (Fed. Cir. May 21, 2001) (nonprecedential decision), the Federal Circuit reversed a jury verdict of infringement based on arguments made during the prosecution history of U.S. Patent No. 3,952,144 ("the '144 patent"). The '144 patent claims a circuit for calibrating a facsimile machine. At trial a jury had found that each of Xerox Corporation's ("Xerox") products, the DocuTech publishing system, the 5775 color copier, the SA4 scanner, and the 7017/20/21 facsimile machines, infringed the '144 patent and awarded AccuScan, Inc. ("AccuScan") damages close to ten million dollars.

On appeal, Xerox argued that the claims at issue could not cover the four accused products, either literally or under the DOE, based on positions AccuScan advocated during prosecution. The Federal Circuit agreed, concluding that arguments and amendments made during the prosecution of the '144 patent limited the interpretation of the claim terms so as to exclude any interpretation that was disclaimed during prosecution.

To overcome prior art, AccuScan had argued during prosecution that while the prior art multiplied a corrected signal by a gain value, the claimed invention used a divide circuit. Because it was uncontested that the Xerox DocuTech publishing system and the 5775 copier do not use a divide circuit, but instead either multiply the corrected signal by a gain value or subtract logarithms, these two devices could not fall within the scope of the properly interpreted claims either literally or under the DOE. AccuScan, however, contended that multiplication by a reciprocal (as is performed by the DocuTech) is in fact the same thing as division. The Federal Circuit stated that while AccuScan's contention was mathematically correct, AccuScan had explicitly disclaimed such an interpretation during prosecution. Therefore, there can be no infringement with respect to either the DocuTech or the 5775 copier.

AccuScan had also argued during prosecution that its claimed invention separately stored a sample of white light throughout the complete scan of the document page and continuously used this white sample to calibrate the video signal. AccuScan advanced this argument to overcome a reference that its invention did not store a white sample during the whole scan, but instead used the white sample value to calculate a gain value. Based on this argument during prosecution, and since it was uncontested that all of Xerox's products only store the white sample value temporarily, the Federal Circuit held that none of Xerox's accused products infringe the properly interpreted claims literally or under the DOE.

Xerox also argued that the '144 patent was invalid based on a prior publication and an offer for sale. As to the prior publication, the Federal Circuit explained that the claims at issue are means-plus-function claims. Therefore, the claims must be interpreted in light of the structures set forth in the specification. As the specification only disclosed one embodiment of the claimed device, the Federal Circuit limited the scope of the claims to that specific embodiment. Accordingly, as the prior art reference raised by Xerox did not disclose the same formula utilized by the embodiment described in the specification, the Federal Circuit held that there was no anticipation by the prior publication.

As to the offer for sale, the Federal Circuit found that there were disputed factual issues as to whether the offer for sale included the invention claimed by the '144 patent and that there was substantial evidence supporting the jury's verdict. Accordingly, the Federal Circuit affirmed the jury's verdict on validity.

[Don Dunner, Bob Yoches, John Alison, and Howard Levine of our firm represented Xerox successfully on appeal.]

Laches and Prosecution History Estoppel "Ice" Patents to Refrigeration System

Darren M. Jiron

[Judges: Schall (author), Clevenger, and Bryson]

In *Altech Controls Corp. v. EIL Instruments, Inc.*, No. 00-1216 (Fed. Cir. May 2, 2001) (nonprecedential decision), the Federal Circuit affirmed-in-part and reversed-in-part the district court's judgment in favor of EIL Instruments, Inc. ("EIL") on Altech Controls Corporation's ("Altech") claims of infringement and on EIL's affirmative defenses of equitable estoppel, laches, and invalidity.

Altech accused EIL of infringing certain claims

of U.S. Patent Nos. 4,621,776 (“the ‘776 patent”); 4,628,700 (“the ‘700 patent”); and 5,067,326 (“the ‘326 patent”). Each of these patents relates to controllers used in multicompressor, supermarket refrigeration systems. To maintain a constant temperature in a supermarket refrigerator, one or more compressors are turned on or off to achieve the total compressor pressure necessary to maintain the desired temperature. Whereas earlier systems controlled the pressure in the refrigeration system using a controller for each compressor, the Altech invention used only a single controller for all of the compressors. Further, the Altech controller minimized wear on the compressors by operating the compressors in a first-in-first-out (“FIFO”) sequence. Thus, when the system needed to decrease capacity, the compressor that had been operating the longest was shut down, and conversely, when the system needed to increase capacity, the compressor that had been off the longest was switched on.

EIL’s allegedly infringing controllers included the RC-48 and the RC-1000. Each model was capable of controlling all the compressors of a refrigeration system; however, neither operated the compressors according to a FIFO sequence.

In response to Altech’s claim of infringement, EIL responded with several affirmative defenses, including equitable estoppel, claiming that Altech misled EIL into believing that it would not be sued for infringement. While the district court had found evidence of misleading conduct arising from a meeting between the inventor of the Altech devices and the CEO of EIL, the Federal Circuit found that the facts did not rise to the level of misleading conduct.

The second affirmative defense that EIL asserted was laches, which required that EIL prove that Altech unreasonably and inexcusably delayed filing suit and that the delay resulted in material prejudice to EIL. The district court ruled in favor of EIL, stating that EIL had met its burden of proof in establishing a defense of laches as to all three disputed patents. The Federal Circuit noted that a presumption of laches arises if a patentee delays bringing suit for more than six years after actual or constructive knowledge of a defendant’s infringing activity. With respect to the ‘776 patent and the ‘700 patent, the Federal Circuit found that, of the two accused EIL devices, laches applied only to the RC-48, which had been in existence more than six years prior the filing of the suit. The Federal Circuit further noted that even though the ‘700 patent had issued less than six years prior to the filing of the suit, EIL was successful in demonstrating economic prejudice. Regarding the ‘326 patent, the Federal Circuit maintained that the district court had failed to offer a specific explanation with respect to laches. Because EIL had conceded infringement of the ‘326 patent, the Federal Circuit reversed and remanded for a determination of damages.

As the third affirmative defense, EIL asserted that claim 24 of the ‘776 patent was invalid because the subject matter of the claim was obvious and had been offered for sale more than one year prior to the filing of the patent application. A jury concluded that claim 24 was not invalid. The jury also found that EIL had failed to prove by clear and convincing evidence that the complete subject matter of claim 24 had been offered for sale. Despite the jury verdicts, the district court had granted EIL’s JMOL motion. On both grounds, the Federal Circuit found substantial evidence supporting the jury’s verdict and, therefore, reversed the district court’s grant of JMOL.

The Federal Circuit affirmed the district court’s judgment of noninfringement. After a *Markman* hearing to construe the claims of the patents, the district court had granted SJ that the RC-1000 did not literally infringe the claims of the ‘776 or the ‘700 patent. The district court had further held that prosecution history estoppel barred an assertion of infringement of the ‘776 and the ‘700 patents by the RC-1000 under the DOE because the Altech device was limited to a FIFO system. The Federal Circuit agreed that express representations in the prosecution histories limited the device to a FIFO system. The Court ultimately found, however, that in view of the *Festo* decision, Altech was barred from asserting infringement under the DOE because the claims at issue had been narrowed by amendment for reasons of patentability.

“Fabricated Energy Structure” Not Patentable Subject Matter

Naveen Modi

[Judges: Lourie (author), Bryson, and Linn]

In *In re Bonczyk*, No. 01-1061 (Fed. Cir. May 11, 2001) (nonprecedential decision), the Federal Circuit affirmed the Board’s rejection of claims relating to a “fabricated energy structure” of U.S. Patent Application No. 08/578,325 (“the ‘325 application”) for failure to meet the requirements of patentable subject matter under 35 U.S.C. § 101.

Frank R. Bonczyk’s ‘325 application includes claims to “[a] fabricated energy structure for a uniform energy of the type having a single nature separated to oppose itself by a precise alternate time duration of existence”

The PTO rejected the claims in the ‘325 application under section 101, finding that the claimed subject matter did not correspond to any of the defined four statutory classes of subject matter: a process, a machine, an article of manufacture, or a composition of matter. In response, Mr. Bonczyk amended some claims to replace the word “model”

with the word “structure” and argued that the subject matter in the claims related to a composition of matter. The PTO, however, did not agree and issued a final rejection. Mr. Bonczyk appealed to the Board, but the Board affirmed the PTO’s rejection, concluding that the invention’s subject matter did not fall into any statutory class.

The Federal Circuit rejected Mr. Bonczyk’s argument that his invention was a composition of matter and concluded that Mr. Bonczyk had not shown that his invention was tangible, corporeal, or material, or a composition of two or more such substances. The Court also disagreed with Mr. Bonczyk’s argument that his invention was an article of manufacture, noting that Mr. Bonczyk had not explained how his invention was manufactured or from what materials it was manufactured. Mr. Bonczyk also argued that the claim was directed to a combination of interrelated elements reciting a specific “machine,” but the Court concluded that Mr. Bonczyk’s vague assertions of functionality and references to various structures did not convert the invention into a machine.

The Federal Circuit also rejected Mr. Bonczyk’s argument that the Board had erred in determining that the claimed invention was both a theoretical energy model and a new way of describing something that already existed in nature. The Court concluded that even if Mr. Bonczyk is correct, inconsistent statements made by the PTO during prosecution, without more, do not entitle an applicant to a patent. Moreover, any inconsistencies in the PTO’s position were caused by the conceptionally difficult and intangible nature of the claimed subject matter and Mr. Bonczyk’s failure to use conventional terms to define his invention.

Finally, in response to Mr. Bonczyk’s request that the Court determine the proper statutory class for his invention, the Court held that Mr. Bonczyk was attempting to claim an energy state rather than a composition of matter, an article of manufacture, or a machine, and, thus, his invention did not fall under any of these statutory classes.

Second Agreement Supersedes Prior Agreement and Supports Summary Judgment of Contract Violation

Vamsi K. Kakarla

[Judges: Lourie, Bryson, and Linn (per curiam)]

In *Creo Products, Inc. v. Dainippon Screen Manufacturing Co.*, No. 00-1536 (Fed. Cir. May 14, 2001) (nonprecedential decision), the Federal Circuit affirmed a grant of SJ concerning a contract

dispute and award for attorney fees in favor of Dainippon Screen Manufacturing Company, D.S. North America Holdings, Inc., and DS America, Inc. (collectively “Dainippon”).

Creo Products, Inc.’s (“Creo”) complaint asserted breach of contract, infringement of Creo’s U.S. Patent No. 4,743,091, and trade secret misappropriation. All claims involved two agreements between the parties, the first agreement dated December 1990 and the second October 1991, which placed restrictions on Dainippon’s use and disclosure of certain technologies owned by Creo. The December 1990 agreement was part of a letter including a provision providing that the effective date of the agreement is when both parties execute the contract. Dainippon was the only party to sign the December 1990 agreement. The October 1991 agreement was a formally executed contract, containing less restrictive provisions than the December 1990 letter. Also included in the second agreement was an integration clause superseding all prior agreements with respect to any subject matter that was within the scope of the October 1991 contract. Creo’s breach of contract claims was based solely on the December 1990 letter, not the October 1991 contract.

With regard to the breach of contract claims, the Court affirmed the district court’s SJ in favor of Dainippon, finding no violation of the terms of the contract. The Federal Circuit agreed with the district court that a material issue of fact existed with respect to one party executing a contract requiring execution from both parties for effectiveness. The grant of SJ, however, rested on the integration clause in the October 1991 contract, which expressly superseded all prior agreements. The Federal Circuit affirmed the district court’s analysis concluding that: (1) the technologies at issue were all incorporated in the devices developed and sold by Creo to Dainippon under the 1991 contract, and (2) Creo did not rebut this evidence.

Creo appealed the district court’s ruling that prosecution history estoppel barred application of the DOE to the asserted patent claim. But, the Federal Circuit affirmed the SJ based on *Festo*.

Creo also appealed the district court’s decision to award attorney fees to Dainippon under 35 U.S.C. § 285 in defending patent infringement claims and attorney fees under the Uniform Trade Secret Act (as adopted by California and Washington) in defending trade secret misappropriation claims. Creo asserted patent infringement and trade secret misappropriation claims in their complaint, but argued that the district court and Dainippon should have understood that Creo was not in fact asserting literal infringement and trade secret claims. In review of the district court’s deci-

sion to award attorney fees, the Federal Circuit disagreed with Creo's assertion and ruled that the district court had not abused its discretion.

Federal Circuit Puts a "Damper" on Summary Judgment of Noninfringement

Brett C. Martin

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

In *Bernard Dalsin Manufacturing Co. v. RMR Products, Inc.*, No. 00-1308 (Fed. Cir. May 7, 2001) (nonprecedential decision), the Federal Circuit reversed a district court's grant of SJ of noninfringement on the only claim at issue.

Bernard Dalsin Manufacturing Company ("Dalsin") is the assignee of U.S. Patent No. 4,554,863 ("the '863 patent"), which is directed to a chimney damper attached to the top of a chimney flue. RMR Products, Inc. ("RMR") also manufactures chimney dampers and, in its original suit, Dalsin accused RMR of infringing claim 1 of the '863 patent by making, using, and selling their "Icebreaker" and "Universal" chimney dampers.

The limitation at issue recites a "mounting means for mounting the flue cover means to the chimney flue." The Federal Circuit found that there was a sufficient issue of material fact relating to the equivalency of the structure disclosed in the patent and that used in the accused products. The lower court had correctly determined that the mounting means described in the specification included a stem guide, stem, screws, and mounting brackets. Dalsin argued that the stem and stem guide should not be included in the mounting means, but the Federal Circuit found this argument to be unpersuasive. Dalsin also argued unsuccessfully that the mounting means is directed toward mounting the frame to the flue instead of the cover, but claim 1 clearly recites mounting means for mounting the flue-cover means to the flue and not the frame.

RMR argued that its devices utilize glue to attach the damper plate to the flue that is not equivalent to the disclosed plurality of mounting screws for purposes of 35 U.S.C. § 112, ¶ 6. The Federal Circuit determined that there was a genuine issue of material fact whether the use of glue was equivalent to screws and, therefore, that determination should be made by a jury.

Accordingly, the Court reversed the lower court's finding of SJ and remanded the case to the district court for further proceedings.

"Brittle" Composite Claims Found Obvious

Donald D. Min

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

In *In re Petrak*, No. 00-1502 (Fed. Cir. May 25, 2001) (nonprecedential decision), the Federal Circuit held that the Board had not erred in concluding that certain application claims were unpatentable as being obvious in view of U.S. Patent No. 4,642,271 to Rice ("Rice") and U.S. Patent No. 4,746,480 to Clark ("Clark").

Petrak's patent application is directed to an oxidation-resistant ceramic composite that includes a ceramic matrix formed by a curable polymer and sealant oxide coated on the surface of the composite.

During prosecution, the Examiner rejected certain claims as being obvious over Rice in combination with Clark. The Board agreed with the Examiner that Rice discloses a ceramic matrix formed by the ceramification of a preceramic composition comprising a curable polymer and, within the ceramic matrix, a refractory fiber coated with a material that provides an interface between the refractory fiber and the ceramic matrix. The Board also agreed that Clark discloses an in-situ formed sealant-oxide coating on the surfaces of ceramic fibers. In addition, the Board agreed that one of skill in the art would read Clark to suggest that similar results could be obtained by using an in-situ formed sealant-oxide coating on the surfaces of ceramic matrices consisting of material identical to the coated fibrous material of Clark. Finally, the Board found that motivation to combine Rice and Clark arose from the teachings of the references themselves and the level of skill in the art.

The Federal Circuit agreed that three pieces of evidence sufficiently supported that Rice and Clark taught a "curable preceramic polymer." First, Rice disclosed that a wide variety of ceramic matrix compositions may be used. Second, Clark states that organosilicon preceramic polymers are well known in the art and can be cured and pyrolyzed to ceramic form. Third, Petrak's own specification notes that curable preceramic polymers are known in the art and can be manufactured by known techniques. Therefore, the Federal Circuit found that this evidence was sufficient to support the Board's findings.

With regard to the in-situ formed sealant-oxide coating limitation, Petrak argued that Clark does not disclose or teach the use of an in-situ formed sealant-oxide coating on the surfaces of a composite as opposed to the surfaces of a fiber. In particu-

lar, Petrak asserted that the Board was incorrect to rely on the Examiner's statement that one of ordinary skill in the art would expect similar results on a ceramic-matrix surface consisting of material identical to the coated fibrous material of Clark. However, Petrak conceded that Clark's fibers were identical material to the claimed composite. Thus, the Federal Circuit concluded that substantial evidence supported the Board's findings.

Petrak also contended that the Board had erred in finding a motivation to combine Rice and Clark. However, the Board noted that both Rice and Clark taught that exposure of a composite to high temperature oxidizing conditions may result in embrittlement, and Clark offered a solution to this embrittlement problem. Therefore, the Federal Circuit concluded that the Board was correct in concluding that there was motivation to combine Rice and Clark and that Petrak's claims are obvious.

Court Unable to Perceive Ambiguity in Claim That Seemed "So Apparent" to PTO

Donald D. Min

[Judges: Gajarsa (author), Lourie, and Plager]

In *In re Larsen*, No. 01-1092 (Fed. Cir. May 9, 2001) (nonprecedential decision), the Federal Circuit held that the Board had erred as a matter of law in concluding that certain application claims were indefinite under 35 U.S.C. § 112, ¶ 2.

Walter L. Larsen's patent application is directed to an elastic, flexible loop used to fasten the hook of a garment hanger to a clothesline. Claim 30 is representative of the rejected claims and recites:

The combination of a hook, which is part of and which comprises suspension means for a garment hanger, and a flexible and elastically elongatable effectively closed loop, wherein the hook and the loop are assembled and arranged in a hereinafter described relative position with respect to each other to fasten the hook to a linear member with the hook being hooked to a linear member in the normal manner. . . .

The Examiner finally rejected this and other claims as being indefinite. The Board had affirmed the Examiner's rejection on the basis that the preamble fails to recite elements described in the body of the claim, such that it is unclear whether the linear member is being claimed.

On appeal, Larsen argued that "[t]he total concept of the invention and context of the claims in this case is so clear, simple, and easily understood that, realistically, no one who is not dwelling on some artificial and arbitrary legal 'test' would have any confusion as to the fact that the claim is directed only to the combination of the loop and not the clothesline to which the hook is being fastened." *In re Larsen*, slip op. at 5. The Federal Circuit agreed with Larsen and reversed the Board. The Court concluded that an omission in the claim's preamble of a critical element of the claim does not in this case render the bounds of the claims so indeterminate as to be indefinite, since the body of the claim so clearly defines the structure to include a "linear member." Thus, the Federal Circuit reversed the Board's indefiniteness rejection, noting that it was unable to perceive "the ambiguity that seemed so apparent to the PTO." *Id.* at 4.

Court Vacates Preliminary Injunction After Limiting Claims Based on Disclaimer in Specification and Prosecution History

Vince Kovalick

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

In *Transonic Systems, Inc. v. Non-Invasive Medical Technologies Corp.*, No. 01-1110 (Fed. Cir. May 29, 2001) (nonprecedential decision), the Federal Circuit vacated a preliminary injunction based on an error in a claim construction and remanded the case for further proceedings.

Transonic Systems, Inc. ("Transonic") had successfully obtained a preliminary injunction against Non-Invasive Medical Technologies Corporation ("NMT") for alleged infringement of Transonic's U.S. Patent No. 5,685,989 ("the '989 patent"). The '989 patent is directed to a method and apparatus for measuring blood flow in hemodialysis shunts.

NMT argued that the district court had misconstrued four limitations of the asserted claims. The Federal Circuit reviewed these limitations, rejected NMT's argument with regard to two of them, but agreed with the two others. In particular, the Court agreed that the district court had interpreted too broadly limitations concerning the calculation or determination of the rate of patient blood flow in a shunt. The Federal Circuit identified in the specification only a select group of equations for providing the calculation. Moreover, Transonic had argued during the prosecution history that the

disclosed equations were critical to achieving the purpose of the invention and were novel over the prior art. Thus, the Court ruled, this intrinsic evidence means that the calculating and determining limitations must be construed as requiring the use of at least one of the equations set forth in the specification. Accordingly, the Court vacated the preliminary injunction and remanded.

Court Rejects Applicant's Invitation for Recusal and Affirms Rejection of Claims

Vince Kovalick

[Judges: Mayer, Linn, and Dyk (per curiam)]

In *In re Constant*, No. 01-1125 (Fed. Cir. May 10, 2001) (nonprecedential decision), the Federal Circuit affirmed a rejection of claims filed by James N. Constant as being obvious.

Initially, the Court rejected Constant's request for the recusal of any judge who had been involved in any of his earlier cases. The Court saw no basis

for such recusal other than Constant's claim of bias based on nothing more than a disagreement with those decisions. Citing Supreme Court precedent, the Court rejected Constant's invitation for recusal.

As for the merits, the Court affirmed the Board's rejection reminding Constant that it had invalidated Constant's earlier patent based on the same prior art now asserted against these very similar claims.

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

ALJ	Administrative Law Judge
APJ	Administrative Patent Judge
Board	Board of Patent Appeals and Interferences
Commissioner	Commissioner of Patents and Trademarks
CIP	Continuation-in-Part
DJ	Declaratory Judgment
DOE	Doctrine of Equivalents
IP	Intellectual Property
ITC	International Trade Commission
JMOL	Judgment as a Matter of Law
MPEP	Manual of Patent Examining Procedure
PCT	Patent Cooperation Treaty
PTO	United States Patent and Trademark Office
SEC	Securities and Exchange Commission
SM	Special Master
SJ	Summary Judgment