

Last month at

# The Federal Circuit



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### COURT CLARIFIES "COMMERCIAL" OFFER FOR SALE

Only an offer that rises to the level of a commercial offer for sale, one that the other party could make into a binding contract by simple acceptance (assuming consideration), constitutes an offer for sale. *Group One, Ltd. v. Hallmark Cards, Inc.*, No. 00-1014 (Fed. Cir. June 15, 2001) . . . . . 1

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## Court Clarifies “Commercial” Offer for Sale

Carol L. Cole

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

In *Group One, Ltd. v. Hallmark Cards, Inc.*, No. 00-1014 (Fed. Cir. June 15, 2001), the Federal Circuit affirmed a district court’s decision regarding a trade-secret issue, but reversed and remanded for further findings on the issue of an on-sale bar.

Group One, Ltd. (“Group One”) sued Hallmark Cards, Inc. (“Hallmark”) for infringement of two patents: U.S. Patent No. 5,518,492 (“the ‘492 patent”), directed to a machine for producing curled and shredded ribbon, and U.S. Patent No. 5,711,752 (“the ‘752 patent”), directed to a method for producing the curled and shredded ribbon. Additionally, Group One claimed that Hallmark had misappropriated its trade secrets regarding the curling and shredding machine and method. Hallmark counter-claimed that Group One’s ‘492 patent was invalid.

Frederic Goldstein is the managing director and sole beneficial shareholder of Group One. Before filing a PCT application on November 12, 1992, Goldstein commenced a series of communications, beginning on June 24, 1991, with Hallmark (and others) to generate interest in his device. Prior to any meetings, a Confidential Disclosure Agreement (“CDA”) was drafted, but was never signed by Hallmark. On February 14, 1992, before a scheduled meeting, Goldstein spoke on the telephone with a Hallmark engineer and discussed the details of Group One’s machine and method. Goldstein had signed the CDA and had assumed that it was in effect. Hallmark then cancelled the meeting and wrote a letter to Goldstein indicating that they had developed their own machine for curling and shredding ribbon. In the spring of 1995, Hallmark began producing its products, a clump of curled ribbon attached to a card and a gift-bag-stuffing product.

The district court had held that while the pre-November 12, 1991, communications did not constitute a formal offer for sale in the contract sense, they did constitute an offer for sale in the context of 35 U.S.C. § 102(b). The district court

thus ruled that the ‘492 and ‘752 patents were invalid.

The district court also held that any misappropriation had ended with publication of the PCT application on May 27, 1993, but that Group One could recover for any “head-start” advantage gained by Hallmark because Hallmark had improperly used the confidential information during the period prior to the PCT publication date. Group One subsequently stipulated that it could prove no such damages and the trade-secret counts were dismissed. Group One appealed alleging that the district court had erred in declaring its patents invalid and in limiting its recovery for misappropriation to prepublication “head-start” damages.

The Federal Circuit noted that there is no binding precedent in the circuit that requires the acceptance of something less than an offer to contract as constituting an offer for sale, as that term is construed for purposes of the on-sale bar. The Court rejected the district court’s reliance on *RCA Corp. v. Data General Corp.*, 887 F.2d 1056 (Fed. Cir. 1989), to support a less formal offer criterion, noting that the dicta in *RCA* concerning something less than a formal commercial offer is too vague and its parameters are too ill defined for any sort of analysis. Instead, the Federal Circuit looked to the Uniform Commercial Code to define whether the series of communications rose to the level of a commercial offer for sale. The Court explained that only an offer that rises to the level of a commercial offer for sale, one that the other party could make into a binding contract by simple acceptance (assuming consideration), constitutes an offer for sale. Finding these criteria missing from the Group One correspondence, the Federal Circuit reversed the district court’s finding of invalidity.

Group One also contended that it was offering only to license the patent to Hallmark. The Federal Circuit noted that there was precedent to the effect that a sale of rights in a patent is not within the scope of the statute and, thus, does not implicate the on-sale bar. Hallmark countered that the correspondence documents demonstrate that Group One was actually offering to license the machine itself and not just the rights in the patent on the machine. However, the Federal Circuit noted that the answer to this issue is unclear and that its holding on the on-sale bar issue relieved the Court from having to address this issue. Judge Lourie wrote separately,

however, to explain his conclusion that such offers to license would not offend the on-sale bar.

With regard to the trade-secret issue, Group One urged that the harm being remedied is the misappropriation itself and any subsequent publication of a formerly secret material is irrelevant unless the misappropriating party becomes aware of the publication and relies on the publication. Hallmark argued for a stricter interpretation of what constituted a trade secret, i.e., once formerly secret material is published, it ceases to be a secret and, therefore, it cannot be misappropriated. The district court had found that the publication of the PCT application destroyed the trade-secret status and, therefore, Hallmark could not be liable for damages for any activity after that date. The Federal Circuit affirmed.

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## For 35 U.S.C. § 102(g), Proof Negating Suppression or Concealment Is Not Limited to Activities Occurring Within the United States

Vince Kovalick

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

In *Apotex USA, Inc. v. Merck & Co.*, No. 00-1272 (Fed. Cir. June 8, 2001), the Federal Circuit affirmed a SJ that U.S. Patent Nos. 5,573,780 (“the ‘780 patent”) and 5,690,962 (“the ‘962 patent”) are invalid under 35 U.S.C. § 102(g).

The ‘780 and ‘962 patents relate to a process for making a stable solid formulation of an enalapril sodium for use in the treatment of high blood pressure. Merck & Co. (“Merck”) manufactures an enalapril sodium under the trade name VASOTEC® and has done so since 1983. During a 1994 trial in Canada between Merck’s and Apotex USA, Inc.’s (“Apotex”) Canadian affiliates concerning Merck’s Canadian patent covering the enalapril sodium compound, Dr. Bernard Sherman, an Apotex official, heard the testimony of Merck’s Vice President of Marketing as he narrated a videotape demonstrating Merck’s process for manufacturing VASOTEC®. Within days of hearing this testimony, Dr. Sherman allegedly conceived the patented process at issue. Apotex

obtained the ‘780 and ‘962 patents and later sued Merck for infringement. The district court, however, found the patents invalid on SJ.

On appeal, Apotex argued that the district court improperly invalidated the patents because Merck had failed to prove by clear and convincing evidence that it did not suppress or conceal the patented process. Apotex further contended that proof that Merck did not suppress or conceal the process could not be satisfied by foreign disclosures or other foreign activities. The Federal Circuit rejected this argument, however, concluding that proof negating suppression or concealment is not limited to activities occurring within the United States.

The Court then turned to an issue that it had not previously squarely addressed, i.e., the burdens of proof governing the determination of suppression or concealment as negating prior invention. After reviewing related precedent and interference law, the Court ruled that § 102(g) requires that once a challenger of a patent has proven by clear and convincing evidence that the invention was made in this country by another, the burden of production shifts to the patentee to produce evidence sufficient to create a genuine issue of material fact as to whether the prior inventor has suppressed or concealed the invention. The ultimate burden of persuasion, however, remains with the party challenging the validity of the patent.

Applying its new law to the case at hand, the Court found that Apotex had satisfied its burden of producing evidence sufficient to create a general issue of material fact that Merck had suppressed or concealed its process of manufacturing enalapril sodium tablets. Although Merck had perfected its process and began commercially using its process to manufacture VASOTEC® tablets no later than 1983, Merck took no steps to make the invention public for nearly five years, when it first published the ingredients used in the process in the 1988 edition of the *Dictionnaire Vidal*. The Court found that such delay raised an inference that Merck had suppressed or concealed its invention.

However, Merck had rebutted this inference by showing that it had resumed its activity concerning this process and made several disclosures before Apotex’s entry into the field. Thus, the Court affirmed the finding of invalidity of the two Apotex patents.

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## Court Vacates Infringement Judgment for Almost \$50 Million

Brian M. Burn

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

In *Durel Corp. v. Osram Sylvania Inc.*, No. 00-1261 (Fed. Cir. June 27, 2001), the Federal Circuit reversed the district court's partial SJ of infringement and vacated its partial SJ dismissing a counterclaim of invalidity based on lack of enablement.

Durel Corporation ("Durel") is the exclusive licensee of U.S. Patent No. 5,418,062 ("the '062 patent"), which is directed to encapsulated electroluminescent phosphor particles, each of which is encapsulated within a metal-oxide coating. Such particles are useful for illuminating watch faces and instrument panels in motor vehicles. Durel sued Osram Sylvania Inc. ("Sylvania") for infringement of the '062 patent. Sylvania filed a counterclaim for a DJ of invalidity based on lack of enablement.

The issue of infringement hinged on the definition of "oxide coating." The district court had construed this term to mean a coating primarily composed of metal cations and oxygen, but also possibly containing other elements or compounds, such as hydrogen.

Sylvania's electroluminescent phosphor particles were coated with a mixture of aluminum oxide hydroxide, AlO(OH), and aluminum trihydroxide, Al(OH)<sub>3</sub>. The district court had concluded that since the amount of hydrogen in Sylvania's coating was minor relative to the amount of metal cations and oxygen in the coating, the coating satisfied the oxide coating claim requirement. Therefore, the district court granted partial SJ of infringement to Durel.

On appeal, Sylvania argued that the district court had erred in its construction of the term "oxide coating," urging that the definition in the specification requires that the coating be primarily composed of metal oxides, which are binary compounds. Durel countered that the district court had correctly adopted the definition set forth in the specification, which includes metal cations, oxygen, and minor amounts of other elements, such as hydrogen.

The Federal Circuit agreed with Sylvania. In reviewing the specification of the '062 patent, the Federal Circuit concluded that the claimed

oxide coating must comprise primarily binary metal oxides containing only metal cations and oxygen.

Durel acknowledged that the coatings on Sylvania's accused infringing products are mixtures of AlO(OH) and Al(OH)<sub>3</sub>. Since these accused hydroxide coatings do not meet the definition of the claim limitation "oxide coating," the Federal Circuit reversed the district court's grant of partial SJ of infringement. Although infringement under the DOE had not been considered at the district court, the Federal Circuit ruled that as a matter of law there could be no infringement under the DOE because the "oxide coating" limitation would be vitiated by such a holding.

Turning to the DJ counterclaim of invalidity based on lack of enablement, the district court had held that the issue was whether Durel's patents enabled Sylvania's accused infringing coatings. The Federal Circuit found this to be an error of law. According to the Court, the dispositive question of enablement does not turn on whether the accused infringing product is enabled, but rather on whether the patent specification would have enabled one of ordinary skill in the art to make and use the full scope of the claimed invention without undue experimentation. However, because the district court only had considered whether Durel's patents enabled Sylvania's accused infringing coating, the Federal Circuit held there were insufficient bases in the record to consider whether Durel's patents were invalid for lack of enablement. Accordingly, the Federal Circuit vacated the district court's partial SJ that the patent was not invalid.

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## Summary Judgment Against Infringement Where All Accused Devices Manufactured for Government

Charles W. Chesney

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

In *Crater Corp. v. Lucent Technologies, Inc.*, No. 00-1125 (Fed. Cir. June 6, 2001), the Federal Circuit affirmed in-part, vacated in-part, and remanded a district court's dismissal of a patent



infringement claim for lack of jurisdiction. The Federal Circuit so held because pursuant to 28 U.S.C. § 1498(a), a private party cannot be held liable for patent infringement for any goods “used or manufactured by or for the United States.” The Federal Circuit concluded that a dismissal of a lawsuit against a private party pursuant to § 1498(a) is a dismissal because of the successful assertion of an affirmative defense rather than a dismissal because the district court lacked subject-matter jurisdiction over the patent infringement claim. Therefore, the Court concluded that although the district court had erred in dismissing the complaint for lack of jurisdiction, SJ was properly granted on the affirmative defense that all the accused devices were manufactured by or for the United States government with its authorization and consent.

Crater Corporation (“Crater”) brought suit against Lucent Technologies, Inc. (“Lucent”) for infringement of U.S. Patent No. 5,286,129 (“the ‘129 patent”), which is directed toward an underwater coupling device. Crater also alleged state-law claims against Lucent for breach of contract and for misappropriation of trade secrets.

Lucent moved to dismiss Crater’s complaint for lack of subject-matter jurisdiction under Fed. R. Civ. P. 12(b)(1) and, in the alternative, for failure to state a claim upon which relief could be granted under Fed. R. Civ. P. 12(b)(6). Citing 28 U.S.C. § 1498(a), Lucent argued that it was not liable for patent infringement because any work it performed with respect to the Crater coupler was done under a government project and was authorized by the United States.

Shortly after Lucent’s motion was filed, Crater requested an evidentiary hearing on Lucent’s motion along with leave to conduct discovery in support of its opposition. The district court allowed the discovery. After over a year of discovery, Crater filed its opposition to Lucent’s motion to dismiss.

In granting Lucent’s motion to dismiss, the district court noted that Crater had failed to produce any evidence indicating that Lucent had performed any relevant work for any entity or individual other than the government or without the government’s authorization or consent. Thus, the district court concluded that the Court of Federal Claims, not the district court, had exclusive jurisdiction over this case. The district court therefore granted Lucent’s motion to dismiss and entered judgment against Crater.

The Federal Circuit first reviewed the law regarding § 1498(a), which grants the United States Court of Federal Claims exclusive jurisdiction over patent infringement suits against the government. Additionally, the Court referred to Federal Circuit case law holding that § 1498(a) provides an affirmative defense for applicable government contractors. Specifically, the Court referred to case law holding that if a patented invention is used or manufactured for the government by a private party, that private party cannot be held liable for patent infringement. Thus, the Court reasoned, a dismissal of a lawsuit against a private party pursuant to § 1498(a) is a dismissal because of the successful assertion of an affirmative defense rather than a dismissal for lack of subject-matter jurisdiction over the patent infringement claim.

In turning to the case at hand, the Court stated that Crater had failed to come forward with any evidence that raised a genuine issue of material fact so as to defeat SJ, even though it had the opportunity to develop relevant testimony in discovery. The Court therefore concluded that there was no genuine issue of material fact that Lucent’s work on the coupler was done solely for the government.

As such, the Court held that, although the district court had erred in dismissing Crater’s complaint for lack of subject-matter jurisdiction, SJ was properly granted in favor of Lucent on its affirmative defense under § 1498(a). The Court further concluded that the district court, therefore, had original jurisdiction over the case by reason of Crater’s patent claims and, thus, the district court had supplemental jurisdiction over Crater’s state-law claims. As a result, although Crater’s patent infringement claims were properly dismissed, the district court still has the discretion to exercise supplemental jurisdiction over the state-law claims.

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## Despite Efforts to Add Inventor, Patent Not Invalid for Nonjoinder

*Lawrence F. Galvin*

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

In *AcroMed Corp. v. Sofamor Danek Group, Inc.*, No. 00-1163 (Fed. Cir. June 8, 2001), the Federal Circuit affirmed a district court’s decision grant-

ing JMOL that a first patent was not invalid for improper inventorship and upholding a jury verdict finding all asserted claims of two patents literally infringed and not invalid.

In the early 1980s, Dr. Arthur Steffee developed systems to straighten a patient's spine. His systems fastened long plates to the patient's vertebrae using bone screws. In 1982, he conceived of certain improvements to his then-existing plate-and-screw system. Working with Steffee, machinist Frank Janson fabricated the improved plate-and-screw system. Additionally, Janson solved a critical problem, identified by Steffee, related to fixing the relative positions of the plates and screws in the improved system.

In 1983, Steffee cofounded AcroMed Corporation ("AcroMed"). As the sole-named inventor of U.S. Patent Nos. 4,696,290 ("the '290 patent") and 4,854,311 ("the '311 patent"), he assigned his rights in both patents to AcroMed. The '290 patent claimed the improved plate-and-screw system, while the '311 patent claimed a related bone screw.

Janson worked for and with AcroMed from 1988 until 1994. In 1993, AcroMed sued Sofamor Danek Group, Inc. and Danek Medical, Inc. (collectively "Danek") in the U.S. District Court for the Northern District of Ohio for infringement of the '290 and '311 patents. At about the time Janson left AcroMed in 1994, he met with Danek's counsel. Later that year, Janson refused AcroMed's request to sign both a declaration and power of attorney adding him as a coinventor of the '290 patent and to assign his rights in the '290 patent to AcroMed. Instead, in 1995, he assigned his rights in the '290 patent to Danek.

After the trial for infringement of the '290 and '311 patents, the district court had granted JMOL that the '290 patent was not invalid for improper inventorship. Additionally, the jury verdict had found all asserted claims of both patents literally infringed and not invalid, found willful infringement of the '290 patent, and awarded damages. The district court then denied three motions for JMOL by Danek.

On appeal, the Federal Circuit addressed each of Danek's JMOL motions. First, the Court found that, despite AcroMed's failed attempt to belatedly add Janson as coinventor of the '290 patent, Danek had not presented clear and convincing evidence of nonjoinder. Second, regarding the '311 patent, the Federal Circuit upheld the district court's relatively broad construction of key

means-plus-function claim language, thus finding sufficient evidence to support the jury verdict of literal infringement. Third, based upon evidence put forth by AcroMed and the Federal Circuit's interpretation of specific means-plus-function claim language, the Court found insufficient evidence that a prior art patent anticipated the '311 patent. Based upon these findings, the Federal Circuit affirmed the district court's decision.

## Law of the Case Cannot Be Relitigated

*Leonard Smith, Jr.*

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

In *Intergraph Corp. v. Intel Corp.*, No. 00-1368 (Fed. Cir. June 8, 2001) ("*Intergraph II*"), the Federal Circuit affirmed the district court's decision not to relitigate antitrust issues decided in *Intergraph Corp. v. Intel Corp.*, 195 F.3d 1346 ("*Intergraph I*"), and affirmed the district court's entry of judgment under Fed. R. Civ. P. 54(b).

In 1997, Intergraph Corporation ("Intergraph") sued Intel Corporation ("Intel") for infringement of Intergraph's patented "Clipper" microprocessor technology, prompting Intel to withdraw special benefits provided to Intergraph under several nondisclosure agreements. Intergraph argued that Intel's withdrawal of the benefits amounted to an antitrust violation under sections 1 and 2 of the Sherman Act. In agreeing with Intergraph, the district court had branded Intel a "monopolist," had held that Intergraph had a substantial likelihood of success on the merits in proving that the withdrawal of the benefits constituted a violation of the Sherman Act, and, thus, granted a preliminary injunction.

The Federal Circuit had reversed that judgment, stating that the prohibited conduct must be directed toward competitors and must be intended to injure competition. The Court went on to provide that Intergraph had not established grounds on which to litigate whether Intel was a "monopolist," since Intergraph's asserted injury did not derive from anticompetitive actions by Intel.

On remand, Intergraph sought to relitigate its charges of antitrust violation by Intel, together

with several contract and tort claims remaining before the district court. Intergraph's rationale was that new evidence compiled by the Federal Trade Commission ("FTC") in its investigation of Intel or discovered by Intergraph shows the company's anticompetitive behavior. In denying Intergraph's request, the district court had held that the resolution of the antitrust issues in *Intergraph I* is the law of the case and entered judgment to that effect under Fed. R. Civ. P. 54(b). Prior to reaching its decision, the district court had reviewed the additional information provided by Intergraph and noted that while Intergraph may have obtained more information related to the FTC's action, the Federal Circuit was already aware of the actions.

In affirming the district court on this appeal, the Federal Circuit determined that while the information was dated well before the decision in *Intergraph I*, it was not brought to any court's attention either before the decision or by petition after the decision was rendered. The Court further observed that Intergraph had failed to explain how its new evidence provided a basis for reevaluating the Court's previous conclusion that Intel's conduct with respect to Intergraph did not constitute the offense of monopolization or the threat thereof in any market relevant to competition with Intergraph.

With regard to the district court's entry of judgment under Fed. R. Civ. P. 54(b), Intergraph argued that it was an abuse of discretion, and that the district court was required to litigate the antitrust claims along with the contract and tort claims because all of the claims arose out of the same core facts. In sustaining the district court's action, the Federal Circuit ruled that even for claims that arise out of the same transaction or occurrence, sound case management may warrant entry of partial final judgment. In any event, the Court ruled that the trial court's decision whether to certify a judgment under Rule 54(b) should not be disturbed unless it is clearly unreasonable.

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## Preferred Embodiment Does Not Limit Claim Scope of Mouse Patent

Kenneth M. Lesch

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

In *Gart v. Logitech, Inc.*, No. 00-1088 (Fed. Cir. June 26, 2001), the Federal Circuit provided a

new claim construction for a limitation in the asserted claim and, as a result, vacated a SJ of noninfringement by Logitech, Inc. ("Logitech"). The Court also reversed the district court's finding that two letters from Samuel Gart to Logitech did not effect the statutory notice of infringement requirement under 35 U.S.C. § 287(a) for certain Logitech products.

U.S. Patent No. 4,862,165 ("the '165 patent") discloses an ergonomically shaped computer mouse for reducing muscle fatigue. The district court had construed the phrase "an angular medial surface for supporting the three remaining ulnar fingers in a wrapped configuration with flexion of the distal, middle, and proximal phalanges of said ulnar fingers" of claim 7 to require that the mouse housing have "an angular ledge" for supporting the three fingers in an enclosed or folded position. Although both parties suggested that the district court had also construed the "angular ledge" to include a curved undercut or concave depression, the Federal Circuit stated that the district court's opinion was not clear on this point.

Logitech, supporting the district court's claim construction, contended that (1) all of the drawings of the '165 patent show a ledge with an undercut area; and (2) the written description describes the invention as having a "medial ledge undercut" that is not related to the preferred embodiment. The Federal Circuit reasoned that the specification and the prosecution history should be consulted to construe the language of the claims when the patentee has chosen to be his or her own lexicographer, or when the language itself lacks sufficient clarity such that there is no means by which the scope of the claim may be ascertained from the language used. Otherwise, terms in the claim are to be given their ordinary and accustomed meaning.

The Court noted that the description in the specification that Logitech relied upon is merely a description of the preferred embodiment. The Court also noted that the specification clearly states that "an angular medial surface" without the ledge will achieve the object of the invention. Further, the Court determined that the drawings only depict the preferred embodiment and were not meant to limit the scope of coverage defined by the claims. Thus, the Court concluded that the written description of the invention does not explicitly limit the subject matter of the patent to the ledge configuration.

Logitech further argued that Gart made statements in the specification distinguishing the prior art, noting in particular that three references did not include an undercut ledge. The

Court countered, however, that the specification also stated that those same references did not contain all of the ergonomic surface features of the invention or were incompatible with the surface shapes needed in a hand controller. Thus, the Court concluded that Gart did not limit the claims by distinguishing the prior art.

Further, the Court did not agree with Logitech that in allowing the claims the Examiner had implied that “an undercut area” was novel and nonobvious because the Examiner never explicitly stated that the patentable difference over the prior art was “the concave undercut area” of the claimed device. The Court determined that drawing inferences of the meaning of claim terms from an Examiner’s silence is not a proper basis on which to construe a patent claim.

With the new claim construction, the Court could not determine with certainty based on the factual record before it whether there were any genuine issues of material fact regarding infringement, either literally or under the DOE, by the accused products. Accordingly, the Court vacated the district court’s grant of SJ of no infringement and remanded the case for further proceedings.

Regarding the notice issue, there were two letters from Gart to Logitech that the Court analyzed. The first letter stated that Logitech “may wish to have patent counsel examine the . . . patent . . . to determine whether a non-exclusive license under the patent is needed” for a first product. The second letter stated that Logitech might find the patent “particularly interesting” relative to a second product and the first product. Supporting the district court’s decision, Logitech contended that both letters did not use the word “infringement” and, thus, were insufficient actual notice because they were at best an invitation for Logitech to study the patent to determine whether there might be infringement. The Court disagreed that notice was insufficient without an unqualified charge of infringement and a threat of suit.

Reversing the district court, the Court held that no reasonable jury could find that Logitech was not notified of infringement by the first product from the first letter. The Court reached this conclusion because the first letter reasonably suggested to Logitech that Gart had believed the making and selling of the first product infringed the ‘165 patent claims. The Court did not believe that the second letter alone was sufficient

notice of infringement because it did not reasonably convey that Gart had believed Logitech was infringing the ‘165 patent claims. Again reversing the district court, the Court nonetheless found that no reasonable jury could find that Logitech was not notified of the infringement of the second product. The Court came to this conclusion because the second letter, in conjunction with the first letter, reasonably apprised Logitech that Gart had believed that the making and selling of the second product infringed the ‘165 patent.

## Senior Party in Interference Can “Rest Easy” on Sleep Apnea Count

Vince Kovalick

[Judges: Clevenger (author), Rader, and Gajarsa]

In *Rapoport v. Dement*, No. 00-1451 (Fed. Cir. June 28, 2001), the Federal Circuit affirmed a decision of the Board, which had awarded judgment of priority as to the sole count of an interference in favor of William Dement and others (collectively “Dement et al.”).

The technology at issue concerns a method for treating sleep apnea, the transient cessation of breathing during sleep. In particular, the count in this interference concerned the administration of a therapeutically effective amount of certain azapirone compounds such as buspirone.

The interference was declared in January 1992, with Dement et al. designated as the senior party based on a filing date of February 12, 1990. The interference count defined azapirone compounds that include buspirone. Junior party, David Rapoport, filed a motion for judgment claiming that the subject matter of the count was anticipated or rendered obvious by a reference he had authored (“the Publication”). The Board denied this motion, finding that Rapoport had established a conception date of May 13, 1988, Dement was entitled to a 1986 date of conception, and Dement’s conception date inured to the benefit of his coinventors as well. As a result, the Board had awarded priority to Dement et al.



On appeal, Rapoport argued that the Board had erred in failing to find that the Publication anticipated or rendered obvious the Dement et al. claims. In addressing the issue, the Court reviewed the Board's claim construction to determine whether the count concerned the treatment of the underlying respiratory problems of sleep apnea or both the underlying respiratory problems and consequential symptoms, such as fatigue, irritability, depression, and stress. After reviewing the patent and other evidence, the Court agreed that, properly construed, the count concerned only the underlying respiratory causes of sleep apnea.

Having so construed the claim, the Court further agreed that the Publication failed to teach the use of buspirone to treat the underlying conditions of sleep apnea. Rather, the Publication disclosed the use of buspirone only to treat anxiety in patients suffering from sleep apnea. Thus, the Court affirmed the Board's holding that the Publication did not anticipate or render obvious the interference count.

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## Notice Requirement Must Be Met by Patentee

*Elizabeth A. Niemeyer*

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

In *Lans v. Digital Equipment Corp.*, No. 00-1144 (Fed. Cir. June 4, 2001), the Federal Circuit affirmed a district court's dismissal of a suit for infringement brought by the inventor of U.S. Patent No. 4,303,986 ("the '986 patent"). The Federal Circuit also affirmed the district court's holding that Håkan Lans, the inventor, did not meet the requirements of Fed. R. Civ. P. 60(b)(2) and affirmed dismissal of a separate action brought by Uniboard Aktiebolag ("Uniboard") for infringement of the '986 patent because the patent had expired and 35 U.S.C. § 287(a) prevented recovery of any damages.

The subject matter of the patent is directed toward a data-display system for a color graphics display. Lans is the sole inventor of the '986 patent, which issued in 1981. In 1989, Lans assigned the '986 patent to Uniboard, which had Lans as the managing director and sole shareholder. In 1996, Lans sent letters to the Defendants accusing them of infringing the '986 patent and offering them licenses. In 1997,

without naming Uniboard as a Plaintiff, Lans sued the Defendants.

The Defendants discovered the assignment of the patent from Lans to Uniboard and moved for SJ that Lans lacked standing. Lans responded to this motion by moving to amend the complaint and substitute Uniboard for himself. The district court granted the Defendants' motion for SJ based on lack of standing and further denied Lans's motion to amend the complaint because "without standing there was no motion to amend." *Lans*, slip op. at 8.

Lans then brought a motion for relief from judgment based on a "Clarification-Contract," which Lans had executed in 1989 and which was produced to Lans by Lans's former accountant in January 2000. The Clarification-Contract purported to transfer the '986 patent rights to Uniboard, but stated that Lans would own the patent. The district court denied Lans's motion, finding that Lans was in constructive possession of the Clarification-Contract. Therefore, it was not newly discovered evidence.

Finally, in November 1999, Uniboard filed suit against the Defendants. The Defendants moved to dismiss the complaint for failure to state a claim upon which relief may be granted, noting that the patent had expired in January 1999. The Defendants also argued § 287(a) precluded damages because Uniboard had not properly notified the Defendants of infringement before expiration of the '986 patent.

On appeal, the Federal Circuit affirmed each of the district court's holdings. The Federal Circuit reviewed the district court's dismissal of Uniboard's complaint, examining § 287(a) and its own precedent, which held that determining notice under § 287 depends on the action of the patentee and not the knowledge of the infringer. Although the Defendants had received notice from Lans, the requirements of § 287(a) were not met until Uniboard gave actual notice of infringement and notice that it was the patentee, which occurred when Uniboard filed its complaint. Consequently, the Federal Circuit affirmed the district court's dismissal of Uniboard's complaint because § 287(a) precluded any award of damages and because no other remedy was available.

The Federal Circuit also held that Lans lacked prudential standing and, consequently, the district court had been correct in granting SJ, the district court had been well within its broad discretion in denying Lans's motion to amend, and the district court had not abused its discretion in denying relief from judgment under Rule 60(b).

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## “Clear Guidance” in Specification Mandates Claim Construction

Robert A. Pollock

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

In *Unique Coupons, Inc. v. Northfield Corp. & Menasha Corp.*, No. 00-1300 (Fed. Cir. June 13, 2001) (nonprecedential decision), the Federal Circuit supplanted a district court’s claim construction in light of the embodiment in the patentee’s disclosure and reversed a finding of infringement under the DOE.

Unique Coupons, Inc. (“Unique”) had sued Northfield Corporation and Menasha Corporation (collectively “Northfield”) for infringement of U.S. Patent Nos. 5,079,901 and 5,588,280 (respectively “the ‘901 and ‘280 patents”). The Court first addressed the jurisdictional question of whether Unique had standing to bring the infringement action without joining the patentee. Unique was the exclusive licensee of the ‘901 and ‘280 patents. The inventor, however, retained veto rights over any sublicenses or assignments. The Court dismissed the sublicensing provision as a minor derogation, but noted that a limitation on assignment could preclude a licensee from suing on its own. Nevertheless, because the license granted Unique the right to sue on its own, the Court concluded that Unique held all substantial rights in the patents, such that it was unnecessary to join the inventor.

The ‘901 and ‘280 patents relate to devices for separating and inserting coupons from a continuous web into cereal cartons or other packages. Reviewing the claim construction, the Court set aside the district court’s construction and focused on the relative position of three claim elements: the coupon sensor, the positioning rolls, and the feeding rolls. Although the relative position of these elements is not explicitly defined in the claims, the abstract, summary of the invention, and detailed description of both patents disclose but a single embodiment, which require that the coupon sensor be positioned between the feed and positioning rolls. Because it appeared that this arrangement was necessary for the proper operation of the invention, the Court sought to interpret the claims so as to maintain their validity and found that the claims require a coupon sensor *between* the positioning

and feeding rolls. Noting that there is a fine line between interpreting claim language in light of the specification and reading a limitation from the specification into the claim, the Court stated that the present construction was permissible in light of the clear guidance in the specification.

In contrast to Unique’s claims, so construed, Northfield’s allegedly infringing device had a sensing device positioned *downstream* of the feed and positioning rolls and, thus, did not literally infringe. Moreover, the Court noted that Northfield’s device would not work properly if the coupon sensor was positioned between the feed and positioning rolls. Because different sensing positions would yield substantially different results, the Court ruled that Northfield also did not infringe under the DOE.

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## Defendant’s Summary Judgment of Noninfringement Not “Airtight”

Susanne C. Tinker

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

In *Scholle Corp. v. Packaging Systems, LLC*, No. 00-1248 (Fed. Cir. June 6, 2001) (nonprecedential decision), the Federal Circuit held that the district court had erred-in-part in its claim interpretation of U.S. Patent No. 4,120,134 (“the ‘134 patent”). The Federal Circuit therefore vacated and remanded-in-part the district court’s grant of the Defendant’s SJ of noninfringement and affirmed the district court’s denial of attorney fees.

The ‘134 patent, relating to an apparatus and method for filling flexible containers with fluids, includes two independent claims at issue in the appeal. Scholle Corporation (“Scholle”) sued Packaging Systems, LLC (“Packaging”) for infringement of these claims resulting from Packaging’s making and/or selling of various machines that include a footer positioned in the center of the machine to seal off the flow of any air into the flexible bag being filled. In some of these machines, the footer would cause the bag to contact the end of the filling spout, or the footer could be adjusted by consumers to cause such contact.

In granting Packaging's motion for SJ of non-infringement, the district court had adopted Packaging's assertion that the claims of the '134 patent require an airtight, as opposed to a substantial, seal between the bag and the spout. The district court concluded that Scholle had failed to introduce sufficient evidence to establish a triable issue of fact that Packaging's filling machines create such an airtight seal. Further, the district court had rested its decision of noninfringement on its view that Packaging's machine utilized a liquid displacement technique for excluding air from the bag, which technique differed from that utilized in the '134 patent.

On appeal, the Federal Circuit reversed-in-part the district court's claim construction. While agreeing that physical contact between the bag and the spout was required by the '134 patent claims, the Federal Circuit disagreed that an airtight seal also was required. Instead, the Federal Circuit construed the '134 patent claims to require only a substantial seal.

The Court rested its conclusion on a portion of the specification that read, "Desirably, substantially all of any such atmosphere should be removed or excluded from the head space of the bag prior to recapping. . . ." The Court asserted that "substantially" was used in this passage to modify both "removed" and "excluded."

Having so construed the claims, the Court turned to the issue of infringement. The Court first pointed out that the district court had erred in its assumption that the accused machines could not infringe if they used a different technique than the '134 patent.

The Court then addressed whether the Defendant's various machines satisfied the physical contact requirement of the '134 patent claims, but remanded this issue to the district court to determine which of the Defendant's various machines included the requisite bag-to-spout physical contact. The Court instructed the district court that any of the accused machines that left a gap between the bag and the spout did not infringe the '134 patent claims, either literally or under the DOE.

With respect to the issue of whether machines that did have physical contact between the flexible bag and the spout also formed a substantial seal, the Court found that a genuine issue of material fact exists as to whether a substantial seal is formed in the accused machines.

## Wafer-Processing Devices Do Not Infringe

L. Scott Burwell

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

In *Semitool, Inc. v. Novellus Systems, Inc.*, No. 00-1375 (Fed. Cir. June 8, 2001) (nonprecedential decision), the Federal Circuit affirmed a district court's grant of SJ of noninfringement in favor of Novellus Systems, Inc. ("Novellus").

Semitool, Inc. ("Semitool") had sued Novellus for infringement of U.S. Patent Nos. 5,222,310 ("the '310 patent") and 5,337,708 ("the '708 patent"), which relate to an automated semiconductor wafer-processing tool in which various chemical and electrochemical processes can be performed on a single wafer. The district court's finding of noninfringement turned on its construction of three terms in the claims of the patents: "substantially enclosed processing space," "complementary processing head," and "wafer support." Because the accused products did not contain those claim limitations as construed by the district court, that court had found no infringement.

Upon de novo review of the district court's claim construction, the Federal Circuit agreed with the construction of the "substantially enclosed processing space" limitation, noting that Semitool had distinguished a prior art reference during prosecution of the '310 patent by arguing that the Semitool invention required the capability to process wafers effectively using gases. The Federal Circuit also agreed that the district court had correctly interpreted the limitation as requiring a "seal" created by the head and the bowl of the tool that permitted the effective gas processing of a wafer.

The Federal Circuit held that the district court had erred in giving an overly narrow construction to the "complementary processing head" and "wafer support" limitations. Despite these errors, the Federal Circuit affirmed the district court's holding of noninfringement, holding that the accused products did not literally satisfy the "substantially enclosed processing space" limitation of the claims. The Court also concluded that the accused products did not satisfy that limitation under the DOE, noting that the "substantially enclosed processing space" limitation

was added during prosecution of the '310 patent to distinguish the claims from the prior art.

Accordingly, in light of *Festo Corp. v. Shoketsu Kinzoku Kogyo Kabushiki Co.*, 234 F.3d 558 (Fed. Cir. 2000), Semitool was barred by prosecution history estoppel from arguing that anything other than the head and the bowl of the tool could form a "seal" satisfying that limitation. The Court further held that prosecution history estoppel precluded application of the DOE to the same limitation appearing in the claims of the '708 patent, which issued from a continuation-in-part application of the '310 patent. Finally, the Court held that Semitool had failed to establish a genuine issue of material fact that Novellus's products were capable of effective gas processing and, therefore, those products could not satisfy the "substantially enclosed processing

space" limitation of the patents.

Because the Federal Circuit affirmed the district court's grant of SJ of noninfringement on the basis that Novellus's products did not satisfy the "substantially enclosed processing space" limitation of the patents, it did not address whether those products also satisfied the other appealed limitations as properly construed.

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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