

# FINNEGAN

## LAST MONTH AT THE FEDERAL CIRCUIT

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# SPOTLIGHT INFO:

In *Iovate Health Sciences, Inc. v. Bio-Engineered Supplements & Nutrition, Inc.*, No. 09-1018 (Fed. Cir. Nov. 19, 2009), the Federal Circuit affirmed the district court's SJ order holding certain claims of U.S. Patent No. 6,100,287 invalid as anticipated under 35 U.S.C. § 102(b) because the claimed invention was disclosed in a magazine advertisement before the critical date. The advertisement included a list of ingredients, directions for administering the dietary supplement orally to humans, and marketing claims and testimonials from bodybuilders extolling the virtues of the product. From this evidence, the Court held as a matter of law that the advertisement disclosed each limitation of the asserted claims and enabled one of skill in the art to practice an embodiment of the claimed invention at the time the advertisement was published. See full summary below.

## Cross-License Agreement Covers Subsidiaries That Did Not Exist at Time of Agreement

John S. Sieman

**Judges: Bryson, Garjasa, St. Eve (author, District Judge sitting by designation)**

**[Appealed from D. Minn., Judge Frank]**

In *Imation Corp. v. Koninklijke Philips Electronics N.V.*, Nos. 09-1208, -1209 (Fed. Cir. Nov. 3, 2009), the Federal Circuit reversed the district court's holding that two subsidiaries of Imation Corporation ("Imation") were not licensed under a patent cross-license agreement between Imation and Koninklijke Philips Electronics N.V. ("Philips"). The Court analyzed the agreement under New York contract law, found that the two subsidiaries were licensed, and remanded for further proceedings.

In 1995, Minnesota Mining and Manufacturing Corporation ("3M") and Philips entered into a patent cross-license agreement (the "Agreement") related to optical and magneto optical information storage and retrieval technology. In 1996, 3M spun off Imation, which took 3M's place in the Agreement. Under the Agreement, each party granted licenses covering certain of its patented products and processes to the other party and subsidiaries of the other party. Specifically, the Agreement stated that Philips "agrees to grant and does hereby grant to [Imation] and its SUBSIDIARIES" a license that included a set of specifically defined patents. Slip op. at 3 (alteration in original).

"Subsidiary" was defined as including any "business organization as to which the party now or hereafter has more than a fifty percent (50%) ownership interest." *Id.* at 6. The set of licensed patents included patents (1) owned by Philips, (2) related to a particular technical field, and (3) having a filing or priority date on or before the expiration date of the Agreement on March 1, 2000.

The Agreement also provided that "any patent license which has been granted" as to a certain set of patents "shall continue thereafter for the term provided in ARTICLE 3." *Id.* at 4. Article 3 explained that such licenses would "commence on the effective date of [the] Agreement and shall continue as to each Licensed Patent for its life." *Id.*

After the expiration of the Agreement, between 2003 and 2006, Imation formed two subsidiaries, Global Data Media FZ-LLC ("GDM") and Memorex International, Inc. ("Memorex"). Imation then brought a DJ action against Philips in 2007, asking the district court to declare that GDM and Memorex were licensed under the Agreement. After the district court ruled on the pleadings in favor of Philips and certified a partial final judgment under Fed. R. Civ. P. 54(b), Imation appealed.

On appeal, the Federal Circuit applied New York law in reviewing the Agreement, in accordance with the Agreement's choice-of-law provision. The parties disputed whether the Agreement should be construed as a single, one-time grant of a license to a group of entities with fluid membership or, alternatively, as an agreement to grant multiple licenses over time as new

patents and subsidiaries appeared. Taking the latter position, Philips argued that the expiration clause, which referred to “any patent license which *has been granted*” (emphasis added), provided a cut-off date after which a newly created subsidiary would not qualify for a license, and further provided a cut-off date after which new entities could not qualify as subsidiaries at all. Thus, according to Philips, because GDM and Memorex did not exist as of the March 1, 2000, expiration date, no new patent licenses were issued to GDM and Memorex. Furthermore, Philips asserted, GDM and Memorex would not qualify as “subsidiaries” under the Agreement.

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“[T]he parties constructed licenses with a fluid scope that grew with the acquisition of additional patent rights and a fluid membership that changed as the parties—sophisticated corporations operating throughout the world—changed their corporate structures.” Slip op. at 18.

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The Federal Circuit instead agreed with Imation that (1) the Agreement included licenses to future subsidiaries, and (2) GDM and Memorex qualified as “subsidiaries” under the Agreement. The Court reasoned that the Agreement’s recitation that Philips “agrees to grant and does hereby grant” a license operated as a “single, *present* grant to a class composed of Imation and its Subsidiaries of rights to existing and future patents,” so long as those patents “claim priority to a date on or before the expiration date.” *Id.* at 10. Thus, the licenses (one for products and one for processes) vested immediately as of the Agreement’s effective date and included any companies that qualify as subsidiaries, even if formed after the expiration date of the Agreement. The Court further explained that the Agreement’s description of the licenses as “personal” did not mean “unique to the individual grantee,” instead distinguishing the license as a personal right as compared to a property right. *Id.* at 11.

Furthermore, the Court found that the Agreement’s definition of “subsidiary” was not limited by the March 1, 2000, expiration date. The Court focused on the definition of “subsidiary” as a “business organization as to which the party now or hereafter has more than a fifty percent (50%) ownership interest.” Because the definition explicitly contemplated that a business entity could qualify as a “subsidiary” “hereafter,” the Court held that the Agreement did not limit the set of subsidiaries to those existing at the Agreement’s effective date. The Court also noted that the plain language of the Agreement did not include any temporal limitation in the definition of “subsidiary” and that principles of parallelism suggest that the expiration date was not intended to have a broader scope. In light of the limited scope of the March 1, 2000, expiration date in the overall Agreement, the Court held that GDM and Memorex fell within the definition of “subsidiary” and therefore qualified as licensees.

## The Entire PTO File for the Trademark Registration at Issue Is Automatically of Record in a Cancellation

*Stephanie H. Bald*

**Judges: Lourie, Linn, Moore (author)**

**[Appealed from TTAB]**

In *Cold War Museum, Inc. v. Cold War Air Museum, Inc.*, No. 09-1172 (Fed. Cir. Nov. 5, 2009), the Federal Circuit reversed the TTAB’s decision canceling registration of the service mark THE COLD WAR MUSEUM on the ground that The Cold War Museum, Inc. (“Cold War Museum”) had not proven acquired distinctiveness of that mark. Among other errors, the Federal Circuit found that the TTAB had improperly refused to consider evidence of acquired distinctiveness that was filed during the prosecution of the registration for THE COLD WAR MUSEUM mark.

Cold War Museum's predecessor-in-interest applied to register the mark THE COLD WAR MUSEUM under Section 2(f) of the Lanham Act, 15 U.S.C. § 1052(f). The examining attorney initially refused registration on the ground that the mark was merely descriptive. In response, Cold War Museum's predecessor-in-interest filed a declaration stating that the mark had been in use for at least five years, as well as over two hundred pages of evidence in support of its claim of acquired distinctiveness. Based on this evidence, the PTO concluded that the mark had acquired distinctiveness, and allowed the application to proceed to registration.

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**“The entire registration file—including any evidence submitted by the applicant during prosecution—is part of the record in a cancellation ‘without any action by the parties.’” Slip op. at 5.**

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Three years later, Cold War Air Museum, Inc. (“Air Museum”) sought to cancel the registration for THE COLD WAR MUSEUM on the ground that it was merely descriptive. Air Museum alleged that the words “the cold war museum” were merely descriptive for museum services relating to the Cold War and submitted a list of search engine results allegedly evidencing the public’s understanding of the term “cold war.” Air Museum also submitted excerpts from Cold War Museum’s website and brochure to show that the museum’s contents and exhibits all related to the Cold War. The Cold War Museum countered that the PTO had previously found that the mark had acquired distinctiveness and that the mark was presumed to be valid. Further, Cold War Museum argued that Air Museum had presented no evidence showing that the mark should not have been allowed registration under Section 2(f). Notably, Cold War Museum did not resubmit the evidence of distinctiveness that had been filed during the prosecution of the registration.

The TTAB granted the petition to cancel, finding that consumers viewing the mark would understand Cold War Museum to contain artifacts and information relating to the Cold War, and that Air Museum had therefore proven that the mark was merely descriptive. The TTAB then shifted the burden to Cold War Museum to overcome the descriptiveness finding and, although the TTAB recognized that Cold War Museum had submitted evidence of the mark’s distinctiveness during prosecution, the TTAB held that it could not consider this evidence because Cold War Museum did not resubmit it in the cancellation proceeding. The TTAB thus concluded that Cold War Museum had not proven acquired distinctiveness on the record and granted the petition to cancel.

On appeal, the Federal Circuit noted that the presumption of validity that attaches to a Section 2(f) registration includes a presumption that the registered mark has acquired distinctiveness. To rebut this presumption, a party seeking to cancel a Section 2(f) registration must produce sufficient evidence for the Board to conclude, in view of the entire record in the cancellation proceeding, that the party has rebutted the mark’s presumption of acquired distinctiveness by a preponderance of the evidence.

The evidence of record before the TTAB in a cancellation proceeding is governed by 37 C.F.R. § 2.122(b). The Federal Circuit found that § 2.122(b) clearly and unambiguously provides that the record in a cancellation automatically includes the entire file of the registration at issue without any action by the parties. According to the Court, this includes any evidence submitted by the applicant during prosecution. Thus, the Federal Circuit held that a party seeking to cancel a Section 2(f) registration must rebut the applicant’s evidence of distinctiveness made of record during prosecution to satisfy its ultimate burden of proof.

The Federal Circuit therefore found that the TTAB had erred in refusing to consider the evidence of acquired distinctiveness submitted by Cold War Museum during prosecution. In addition, the Federal Circuit found that the TTAB had erred in finding that Air Museum had established a

prima facie case that the mark had not acquired distinctiveness. The Court explained that all of the evidence submitted by Air Museum related to the mark's descriptiveness; none of it related to the issue of acquired distinctiveness. Moreover, the Court noted that Air Museum failed to argue that the mark had not acquired distinctiveness. Because Air Museum had not rebutted the registration's presumption of validity, the Court also found that the TTAB had erred as a matter of law in shifting the burden to Cold War Museum to prove that the mark had acquired distinctiveness. Because the TTAB erred as a matter of law in concluding that Air Museum had established a prima facie case that the mark had not acquired distinctiveness, the Federal Circuit reversed the TTAB's decision.

## The Court Finds MATTRESS.COM Generic in Reference to Online Retailer of Mattresses, Beds, and Bedding

Jessica A. Keesee

**Judges: Lourie (author), Friedman, Prost**

### [Appealed from TTAB]

In *In re 1800Mattress.com IP, LLC* (substituted for Dial-A-Mattress Operating Corp.), No. 09-1188 (Fed. Cir. Nov. 6, 2009), the Federal Circuit affirmed the TTAB's decision finding the mark MATTRESS.COM generic.

Dial-A-Mattress Operating Corp. ("Dial-A-Mattress") sought to register the mark MATTRESS.COM for services identified as "online retail store services in the field of mattresses, beds, and bedding." Slip op. at 1-2. The PTO refused registration of the mark as generic. The TTAB affirmed the PTO's refusal. The TTAB reasoned that the genus of services offered by Dial-A-Mattress was online retail store services in the field of mattresses, beds, and bedding, and found that, given the genus of services offered, the term MATTRESS.COM would be understood

by the relevant public to refer primarily to that genus. The TTAB also noted that the addition of the top level domain extension ".com" did not create any additional meaning and did not therefore affect the term's genericness. The TTAB rejected Dial-A-Mattress's argument that "com" somehow evoked the words "comfort" or "comfortable" and rejected the idea that the mark served as a mnemonic.

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"The test [of whether a mark is generic] is not only whether the relevant public would itself use the term to describe the genus, but also whether the relevant public would understand the term to be generic." Slip op. at 7.

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On appeal, the Federal Circuit found the mark MATTRESS.COM to be generic. As both parties agreed that the genus of services was "online retail store services in the field of mattresses, beds, and bedding," the Court turned to the relevant public's understanding of the mark MATTRESS.COM. Neither party disputed the genericness of either "mattress" or ".com." The Court therefore considered the mark in its entirety to determine whether the combination added new meaning. Given the large number of similar uses of "mattress.com" as well as the common meanings of "mattress" and ".com," the Court found that the TTAB had properly determined that the relevant public would understand MATTRESS.COM to be no more than the sum of its constituent parts, i.e., an online provider of mattresses.

Dial-A-Mattress argued that the only generic term for its business was "online mattress stores." *Id.* at 3. The Court disagreed, however, and found that any term the relevant public understands to refer to the genus of "online retail store services in the field of mattresses, beds, and bedding" is generic. *Id.* at 8.

The Court also endorsed the TTAB's conclusion that the ".com" extension in MATTRESS.COM does not evoke the quality of "comfort" in mattresses and that the mark is not a mnemonic. The Court reasoned that because Dial-A-Mattress presented no evidence that ".com" evoked anything but a commercial Internet domain, this was not a case in which the addition of ".com" affects the genericness of the mark. *Id.*

## Claims Are Invalid Because an Advertisement Disclosed the Invention in a Printed Publication Before the Critical Date

Jin Zhang

**Judges: Mayer (concurring), Lourie (author), Prost**

**[Appealed from E.D. Texas, Judge Clark]**

In *Iovate Health Sciences, Inc. v. Bio-Engineered Supplements & Nutrition, Inc.*, No. 09-1018 (Fed. Cir. Nov. 19, 2009), the Federal Circuit affirmed the district court's SJ order holding claims 1, 2, 5, 7, 8, 9, and 18 of U.S. Patent No. 6,100,287 ("the '287 patent") invalid as anticipated under 35 U.S.C. § 102(b) because the claimed invention was disclosed in a printed publication before the critical date.

The '287 patent claims the use of nutritional supplements containing a ketoacid and an amino acid that is either cationic (positively charged) or dibasic (containing two basic groups) to enhance muscle performance or recovery from fatigue. Plaintiff Iovate Health Sciences, Inc. ("Iovate") sued Bio-Engineered Supplements & Nutrition, Inc. and Medical Research Institute (collectively "BSN"), asserting infringement of the '287 patent by certain of BSN's nutritional products. The allegedly infringing products contain arginine alpha-ketoglutarate and are advertised to enhance muscle strength or resistance to muscle fatigue. The district court granted BSN's motion for SJ, holding the asserted claims of the '287 patent invalid under § 102(b) as anticipated

by advertisements for Twinlab® Mass Fuel and Weider's VICTORY™ Professional Protein published in *Flex* magazine before the critical date. Each ad included a list of ingredients, directions for administering the dietary supplement orally to humans, and marketing claims and testimonials from bodybuilders extolling the virtues of the product. The district court held that the ads established a public use and offer for sale under § 102(b), for they showed an actual product and stated that it was available for purchase in health food stores, in gyms, or through catalog.

On appeal, the Federal Circuit first considered whether the ads disclosed all the limitations of the asserted claims. The Court agreed with BSN that the Professional Protein ad disclosed each and every limitation of the claims asserted by Iovate. The Court found that there was no dispute that the Professional Protein ad disclosed a composition comprising a cationic or dibasic amino acid (ornithine) and a ketoacid (alpha-ketoglutarate) as well as the additional limitations found in the asserted dependent claims. The Court found it was also undisputed that the ad disclosed the administration of the nutritional supplement for the purpose of enhancing muscle performance or recovery from fatigue.

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"[Where the claims] do not require any further measurement or determination of any result achieved by administering the claimed composition[,] . . . the ad's disclosure of a certain composition taken for a certain purpose suffices for the purpose of anticipation." Slip op. at 9.

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To avoid anticipation, the Court found that Iovate relied on conclusory expert testimony and attempted to increase the specificity of the language used in the claims' preamble, "[a] method for enhancing muscle performance

or recovery from fatigue.” The Court held that even assuming that the preamble limited the claims, there was no evidence that those skilled in the art of nutritional supplements used the term “enhancing muscle performance” to exclude increasing muscle strength. The Court found that both the patent specification and lovate’s infringement allegations referred to muscle strength as a proxy for this term, and lovate repeatedly included BSN’s advertising claims of enhancing muscle strength to support its allegations of infringement by BSN’s products. Therefore, the Federal Circuit found no error in the district court’s finding that the Professional Protein ad’s statements regarding faster postexercise muscle recuperation and recovery were synonymous with “increasing muscle performance after muscle performance has been decreased by exercise,” especially given the absence of any time limit for recovery in the claims.

lovate also sought to avoid anticipation by reading an effectiveness requirement into the preamble. But the Federal Circuit held that the ‘287 patent claims did not restrict the administration of the claimed amino acid and ketoacid composition to any specific dosage or amount, or even an “effective amount.” Slip op. at 8-9. The Court found that the claims did not require any further measurement or determination of any result achieved by administering the claimed composition. Thus, the Federal Circuit held that the ad’s disclosure of a certain composition taken for a certain purpose sufficed for the purpose of anticipation. Furthermore, by looking into the instructions and the users’ quotations in the Professional Protein ad, the Court found that the ad taught taking a

supplement containing the claimed ingredients as advertised was effective for increasing muscle performance and recovery after exercise. Thus, the Federal Circuit held that the Professional Protein ad disclosed each and every claim limitation.

Next, the Federal Circuit considered whether the Professional Protein ad enabled one of skill in the art to practice an embodiment of the claimed invention in June 1996. The Court found that all one of ordinary skill in the art would need to do to practice an embodiment of the invention would be to mix together the known ingredients listed in the ad and administer the composition as taught by the ad. The Court had already rejected lovate’s argument that the claims required administering an effective amount of the claimed composition, but noted that the ad nevertheless taught the amount of protein an active athlete needs per day per kilogram of body weight and that Professional Protein should be taken once before and once after exercise. In addition, the Court found that the ‘287 patent specification listed numerous pre-1996 publications teaching acceptable clinical dosages of the two claimed components, and also listed pre-1996 publications teaching the effects of the components’ administration on humans. Thus, the Federal Circuit held that the district court correctly concluded that a person of skill in the art, combining his or her knowledge of the art with the advertisement’s suggestions, would have considered the advertisement to be enabling.

In a brief concurring opinion, Judge Mayer noted that he also believed the products were on sale more than one year before the critical date under § 102(b).

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## Abbreviations

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

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## Looking Ahead

On December 4, 2009, the Federal Circuit once again addressed the question of whether, following *MedImmune, Inc. v. Genentech, Inc.*, a party may bring a DJ action. In *Hewlett-Packard Co. v. Acceleron LLC*, No. 09-1283, the Federal Circuit held that Hewlett-Packard Company had a proper basis to bring a DJ action after Acceleron LLC ("Acceleron") contacted them twice and made an "implied assertion of rights." The Court concluded that such activity represented a "definite and concrete" dispute between the parties. Moreover, Acceleron's status as "solely a licensing entity" persuaded the Court. Please see next month's edition of *Last Month at the Federal Circuit* for a full summary of this and other new cases.

On November 20, 2009, Chief Judge Paul R. Michel submitted a letter to President Obama advising that he will step down as Chief Judge and retire from the judiciary effective May 31, 2010. Judge Randall R. Rader will succeed as the next Chief Judge.