

# FINNEGAN

## LAST MONTH AT THE FEDERAL CIRCUIT

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# SPOTLIGHT INFO:

In *Tafas v. Doll*, No. 08-1352 (Fed. Cir. Mar. 20, 2009), the Federal Circuit reviewed the district court's decision invalidating several Final Rules issued by the PTO in August 2007. The Federal Circuit considered Final Rules 78 and 114, requiring an applicant to file a petition if pursuing more than two continuation applications or more than one request for continued reexamination ("RCE"), respectively. Additionally, the Federal Circuit considered Final Rules 75 and 265, requiring applicants to conduct a preexamination prior art search and submit an examination support document ("ESD") when an application contains more than five independent claims or twenty-five total claims.

The Federal Circuit first held that each of the Final Rules under consideration was procedural in nature rather than substantive. The Court then affirmed the determination that Final Rule 78 was invalid because it added an additional requirement that applicants could only claim the benefit of an earlier filing date if the application contained no amendments, arguments, or evidence that could have been submitted earlier. The Court stated that such a requirement conflicted with the statutory language of 35 U.S.C. § 120, which provides that qualifying applications "shall have" the benefit of the earlier priority date. The Federal Circuit also reversed the district court's ruling that Final Rule 114 was invalid because the Patent Act did not unambiguously require the PTO to grant unlimited RCEs. And the Federal Circuit held that Final Rules 75 and 265 did not conflict with the Patent Act or existing precedent because the Final Rules do not alter the ultimate burden on the PTO to prove claims unpatentable. Accordingly, the Court reversed the district court's decision that Final Rules 75 and 265 were invalid.

Judge Bryson authored a concurring opinion and Judge Rader dissented. See full summary below.

## District Court Does Not Abuse Its Discretion on Expert Witness Appointment When Confronted by an Unusually Complex and Conflicting Case

*Hsuanyeh Chang*

**Judges: Rader (author), Plager, Gajarsa**

**[Appealed from N.D. Cal., Judge Wilken]**

In *Monolithic Power Systems, Inc. v. O2 Micro International Ltd.*, Nos. 08-1128, -1136 (Fed. Cir. Mar. 5, 2009), the Federal Circuit held that the district court did not abuse its discretion in appointing an independent expert witness under Fed. R. Evid. 706, and affirmed the district court's denial of O2 Micro International Limited's ("O2 Micro") JMOL that U.S. Patent No. 6,396,722 ("the '722 patent") is not obvious under 35 U.S.C. § 103.

The '722 patent relates to power inverter circuitry for laptop computers. In May 2004, Monolithic Power Systems, Inc. ("Monolithic") filed suit against O2 Micro in the Northern

District of California, seeking a DJ finding O2 Micro's '722 patent invalid, not infringed, and unenforceable. O2 Micro counterclaimed for infringement and joined Advanced Semiconductor Manufacturing Corporation, Ltd. ("ASMC"), Monolithic's foundry, as a counterdefendant.

In September 2004, O2 Micro filed suit against Monolithic in the Eastern District of Texas, accusing Monolithic of infringing U.S. Patent No. 6,804,129 ("the '129 patent"). Later, O2 Micro amended the complaint to also accuse ASMC of infringing the '129 patent and to accuse ASUSTeK Computer Inc. ("ASUS") of infringing U.S. Patent No. 6,259,615 ("the '615 patent"), the '722 patent, and the '129 patent. In March 2006, the Eastern District of Texas transferred O2 Micro's case to the Northern District of California, which then consolidated the two cases.

The district court then dismissed O2 Micro's claims regarding the '129 patent and granted SJ of noninfringement of the '615 patent in favor of ASUS. Before trial, the district court, in a case management conference, expressed its frustration with the technical complexities of the '722 patent and entertained the idea of appointing an independent expert under Fed. R. Evid. 706. After a series of disagreements, the parties

ultimately agreed upon an expert, Dr. Enrico Santi. At trial, the defendants presented evidence that the '722 patent was invalid, and Dr. Santi offered testimony largely consistent with Monolithic's theory of the case. The jury found that the asserted claims of the '722 patent were invalid under both Monolithic's obviousness and on-sale bar theories. O2 Micro appealed.

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**"This court perceives no abuse of discretion [in appointing an independent technical expert] in this case where the district court was confronted by what it viewed as an unusually complex case and what appeared to be starkly conflicting expert testimony." Slip op. at 10.**

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On appeal, O2 Micro argued that the district court's appointment of Dr. Santi unduly burdened its Seventh Amendment right to a jury trial and violated established Ninth Circuit precedent that there is no "complexity exception" to the Seventh Amendment right. Upon review of the record, the Federal Circuit found no denial or encumbrance of O2 Micro's jury demand or Seventh Amendment rights. Rather, the district court allowed the parties to show cause why an expert witness should not be appointed. The district court also instructed the parties to nominate candidates and confer upon a mutually agreeable expert. In addition, the district court instructed the parties to share Dr. Santi's reasonable fees and expenses. Furthermore, the district court did not limit the parties' ability to call their own experts and allowed these experts to attack, support, or supplement the testimony of Dr. Santi. At trial, the district court instructed the jury not to give Dr. Santi's opinion greater inherent weight due to his independent status. Moreover, the Federal Circuit noted that the Supreme Court has long recognized the constitutionality of court-appointed experts. Accordingly, although it recognized that Rule 706 should be invoked only in rare and compelling circumstances, the Federal Circuit found no abuse of discretion in appointing an independent expert in this case where the district court was confronted by what it viewed as

an unusually complex case with starkly conflicting expert testimony.

O2 Micro also disputed the underlying factual findings implicit in the jury's obviousness verdict. O2 Micro argued that substantial evidence does not support the jury's finding that U.S. Patent No. 5,923,129 ("the Henry patent") discloses various features of the '722 patent's claims. Specifically, O2 Micro argued that the Henry patent does not teach the "flow-through switch" of claims 2 and 9; the "second state" limitation of claims 1, 2, 9, and 18; and the "only if" limitation of claims 12 and 14.

Claims 2 and 9 of the '722 patent require a flow-through switch. Monolithic's expert, Dr. Horenstein, testified that comparator 740 in Figure 8B of the Henry patent teaches "a flow-through switch." O2 Micro did not cross-examine Dr. Horenstein on this point, and O2 Micro's own expert did not testify on this subject. Accordingly, the Federal Circuit held that the record stands unrebutted with evidence showing that the Henry patent includes a flow-through switch and that O2 Micro's attorneys' argument on appeal cannot create an evidentiary gap.

Claims 1, 2, 9, and 18 of the '722 patent require an inverter with a second pulse signal having a first state and "a *second state which overlaps the first signal with a predetermined minimum overlap* to deliver a predetermined minimum power to the load." Slip op. at 13. O2 Micro challenged that the Henry patent does not disclose this second state. However, Monolithic's expert, Dr. Horenstein, testified that the "sawtooth generator" of the Henry patent teaches the second state. Although O2 Micro's expert, Dr. Rhyne, provided conflicting testimony, the Federal Circuit found that Dr. Horenstein embraced Dr. Rhyne's characterization of the Henry patent's sawtooth generator as consistent with the claimed second state. Accordingly, the Federal Circuit held that there is no reason to disturb that implicit factual finding.

Claims 12 and 14 of the '722 patent require a feedback circuit that delivers power "*only if* said feedback signal is above a predetermined threshold." *Id.* at 15 (emphasis added). Drs. Santi and Horenstein concurred that the Henry patent teaches this limitation because it teaches

disengaging feedback and going into a fixed minimal voltage output state when the feedback signal drops below a predefined threshold. Accordingly, the Federal Circuit held that substantial evidence supports the Henry patent's teaching of this "only if" limitation.

O2 Micro also argued that even if substantial evidence supports the finding that every element of the asserted claims was in the prior art, the verdict must fail because Drs. Santi and Horenstein articulated no reasons for combining the cited references. On the contrary, the Federal Circuit found that Dr. Horenstein testified that a skilled artisan would have been motivated to combine the full bridge inverter in Figure 2 of the Henry patent with the sawtooth generator in Figure 8 of the Henry patent. Accordingly, the Federal Circuit concluded that the asserted claims of the '722 patent were obvious as a matter of law.

## Joint Inventor Must Make a Qualitatively Significant Contribution When Measured Against the Dimension of the Full Invention

Susan Y. Tull

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

**[Appealed from E.D. Mich., Senior Judge Zatkoff]**

In *Nartron Corp. v. Schukra U.S.A., Inc.*, No. 08-1363 (Fed. Cir. Mar. 5, 2009), the Federal Circuit reversed and remanded the district court's grant of SJ of dismissal for nonjoinder, which concluded that an extender element of a dependent claim had been invented by a third party not named on the patent or joined as a plaintiff to the infringement suit.

Nartron Corporation ("Nartron") owns U.S. Patent No. 6,049,748 ("the '748 patent"), which is directed to a vehicle control system that provides massage capability to a vehicle seat with lumbar support. Defendant Schukra U.S.A., Incorporated ("Schukra") supplies automobile manufacturers with lumbar support systems for automobile seats. Defendant Borg Indak, Incorporated ("Borg Indak") supplies electronic

components to Schukra. Borg Indak moved for SJ of dismissal, alleging that Benson, a Schukra employee, was a coinventor of claim 11 of the '748 patent and therefore had to have been joined in the suit. Because the district court found that Benson conceived of the key additional limitation in dependent claim 11, an extender for a lumbar support adjuster, it held that Benson was a coinventor. As a coinventor, Benson was required to have been joined as a plaintiff to the infringement suit. Accordingly, the district court dismissed the suit.

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"One who simply provides the inventor with well-known principles or explains the state of the art without ever having a firm and definite idea of the claimed combination as a whole does not qualify as a joint inventor." Slip op. at 7 (quoting *Ethicon, Inc. v. U.S. Surgical Corp.*, 135 F.3d 1456, 1460 (Fed. Cir. 1998)).

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On appeal, Nartron argued that the extender recited in claim 11 was in the prior art and therefore could not have supported a claim of coinventorship. Nartron further argued that the inventive aspect of the claimed invention is the controller, which Benson did not conceive. Thus, Nartron argued, irrespective of whether the extender was in the prior art, Benson's alleged contribution is insignificant to the invention of the '748 patent.

The Federal Circuit agreed with Nartron that Benson was not, as a result of suggesting an extender, a coinventor of claim 11 of the '748 patent as a matter of law. The Court concluded that any contribution Benson made to the invention was insignificant and therefore prevented Benson from attaining the status of coinventor. The Court reminded that "a joint inventor must 'contribute in some significant manner to the conception or reduction to practice of the invention [and] make a contribution to the claimed invention that is not insignificant in quality, when that contribution is measured against the dimension of the full invention.'"



Slip op. at 7-8 (alteration in original) (quoting *Pannu v. Iolab Corp.*, 155 F.3d 1344, 1351 (Fed. Cir. 1998)).

In concluding that the contribution of the extender for a lumbar support adjustor was insignificant when measured against the full dimension of the invention of claim 11, the Court found that extenders were not only known in the art but also were part of existing automobile seats. Benson's contribution of supplying the extender to the patented invention therefore was merely the exercise of ordinary skill in the art. To support its view, the Court looked to the specification of the '748 patent, which makes clear that the automobile seat, including its lumbar support adjustor and extender, comprises the existing object on which the invention (i.e., the control module) operates. The Court also found that the specification and claims do not focus on the structure of the seat itself, but rather on the structure and function of the control module that operated the seat. The '748 patent, for example, mentions the extender only once and contains no description of the physical characteristics of the extender or any drawing of the extender.

In holding that Benson's contribution to the '748 patent did not rise to the level of coinventorship, the Court applied its reasoning from a factually similar case, *Hess v. Advanced Cardiovascular Systems, Inc.*, 106 F.3d 976 (Fed. Cir. 1997). In *Hess*, the Court held that Hess was not a coinventor when he had explained the state of the art to the inventors and had suggested that the inventors use a particular material in their product. The Court also noted that Benson "does not necessarily attain the status of coinventor by providing the sole feature of a dependent claim." Slip op. at 11. The Court reminded that "a dependent claim adding one claim limitation to a parent claim is still a claim to the invention of the parent claim, albeit with the added feature; it is not a claim to the added feature alone." *Id.*

The Court also rejected the argument that Benson must be a coinventor of the module because he suggested a control module to the named inventor and detailed the ultimate functions of that module. The Court reminded that "[o]ne who merely suggests an idea of a result to be accomplished, rather than means of accomplishing it, is not a joint inventor." *Id.* at 12

(alteration in original) (quoting *Garrett Corp. v. United States*, 422 F.2d 874, 881 (Ct. Cl. 1970)). Accordingly, the Court concluded that Benson was not entitled to coinventorship by simply posing the result, leaving the named inventors to figure out how to achieve it.

## Machine-or-Transformation Test Is the Singular Test for Evaluating Process Claims Under 35 U.S.C. § 101

Darrell D. Kinder

**Judges: Newman (concurring), Mayer, Gajarsa (author)**

### [Appealed from Board]

In *In re Ferguson*, No. 07-1232 (Fed. Cir. Mar. 6, 2009), the Federal Circuit affirmed the Board's decision that all sixty-eight claims of U.S. Patent Application No. 09/387,823 ("the '823 application") were not directed to patent-eligible subject matter under 35 U.S.C. § 101.

Applicants filed the '823 application on September 1, 1999. The '823 application included claims 1-23 and 36-68 that were directed to a method of marketing a product ("method claims") and claims 24-35 that were directed to a paradigm for marketing software ("paradigm claims"). All sixty-eight claims were rejected by the examiner under 35 U.S.C. §§ 102, 103, and/or 112. On appeal, the Board reversed the examiner's rejections of claims 1-68 under 35 U.S.C. §§ 102, 103, and/or 112, but entered a new rejection, rejecting claims 1-68 under 35 U.S.C. § 101 as not being directed to statutory subject matter.

Applicants requested a rehearing of the Board's decision, wherein the Board responded by entering a new rejection of claims 1-68 under 35 U.S.C. § 101 based on the PTO's *Interim Guidelines for Examination of Patent Applications for Patent Subject Matter Eligibility*, which the PTO issued after the Board's original decision. Regarding the method claims, the Board acknowledged that these claims were analogous to a "process," one of the four enumerated categories of statutory subject matter set forth in

the text of 35 U.S.C. § 101, but concluded that the method was directed to an “abstract idea” and thus not patent eligible. With respect to the paradigm claims, the Board concluded that claims directed to a paradigm did not fall within one of the four enumerated categories of statutory subject matter and therefore were not patentable subject matter. Applicants requested a rehearing, but the Board declined to modify its ruling. Applicants appealed to the Federal Circuit.

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“We thus decline to adopt Applicants’ proposed ‘scintilla of interaction’ test and reaffirm that the machine-or-transformation test is the singular test for a process claim under § 101.” Slip op. at 8.

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On appeal, in light of its recent opinion in *In re Bilski*, 545 F.3d 943 (Fed. Cir. 2008) (en banc), the Court considered whether Applicants’ claims were directed to patent-eligible subject matter. The Court first considered Applicants’ method claims and determined that, although the method claims nominally fall into the category of process claims, the decision in *Bilski* established that the method claims were not directed to patent-eligible subject matter. The Court relied on its statement in *Bilski* that the Supreme Court’s machine-or-transformation test is the “definitive test to determine whether a process claim is tailored narrowly enough to encompass only a particular application of a fundamental principle rather than to pre-empt the principle itself.” Slip op. at 6 (quoting *Bilski*, 545 F.3d at 954). Using this test, the Court first concluded that Applicants’ method claims are not tied to any particular machine or apparatus and thus do not satisfy the machine-or-transformation test set forth in *Bilski*.

Applicants argued that the method claims are tied to the use of a shared marketing force. The Court, however, concluded that a shared marketing force is not a machine or apparatus. The Court reminded that a machine or apparatus is a “concrete thing, consisting of parts, or of certain devices and combination of devices.” *Id.* (quoting *In re Nuijten*, 500 F.3d 1346, 1355 (Fed. Cir.

2007)). The Court held that a shared marketing force did not meet the definition of a machine or apparatus as set forth in *Nuijten*. Thus, the Court determined that Applicants’ method claims were not tied to a machine or apparatus.

The Court then reviewed Applicants’ method claims to determine if they satisfied the transformation prong of the machine-or-transformation test. The Court stated that “[a]t best it can be said that Applicants’ methods are directed to organizing business or legal relationships in the structuring of a sales force (or marketing company).” *Id.* at 7. The Court reiterated its statement in *Bilski* that for transformations to satisfy the machine-or-transformation test, they must be transformations of a physical object or substance or representative of a physical object or substance. Consequently, because the method claims failed to meet either prong of the machine-or-transformation test, the Court affirmed the Board’s rejection of the method claims under 35 U.S.C. § 101 as not being directed to statutory subject matter.

The Court proceeded to address Applicants’ argument that, according to the Court’s earlier decision in *State Street Bank & Trust Co. v. Signature Financial Group*, 149 F.3d 1373 (1998), the method claims satisfied the “useful, concrete, and tangible result test” set forth by the Court in that decision. The Applicants also argued that the method claims are directed to business methods and should therefore be treated as statutory subject matter in view of the Court’s holding in *State Street*. The Court noted, however, that although the *Bilski* decision did not overturn the decision in *State Street*, the Court did reject the viability of the “useful, concrete, and tangible result test” because, although such an inquiry may provide an initial indication as to whether the claim is drawn to a fundamental principle or practical application of such a principle, it focuses on the result of the claimed invention rather than on the claimed invention itself. The Court also noted that *State Street* did not provide patent eligibility to business methods per se, because the claims at issue in *State Street* were drawn to a patent-eligible machine implementation of what otherwise may have been an ineligible abstract idea and thus were patentable even under the machine-or-transformation test.

The Court further considered Applicants' request to consider a new test for patentability: "Does the claimed subject matter require that the product or process ha[ve] more than a scintilla of interaction with the real world in a specific way?" Slip op. at 8. The Court reasoned that in *Bilski*, the machine-or-transformation test was held as being the definitive test for determining if a process claim is patent eligible under 35 U.S.C. § 101. Further, the Court found that Applicants' proposed "'scintilla of interaction' test begs the question whether even the most abstract of ideas and natural of phenomena interact with the real world" and would lead to ambiguity and conflict with the machine-or-transformation test. *Id.* Accordingly, the Court refused to adopt Applicants' proposed "scintilla of interaction" test and reaffirmed that the machine-or-transformation test is the singular test for a process claim under 35 U.S.C. § 101. The Court concluded that Applicants' method claims, when analyzed using the machine-or-transformation test, are not patentable.

Next, the Court proceeded to determine whether Applicants' paradigm claims were directed to statutory subject matter. The Court first considered whether the paradigm claims were directed to subject matter that fit into any of the four enumerated categories of statutory subject matter. The Court noted that the claims were clearly not directed to processes, a manufacture, or a composition of matter. The Court further noted that the paradigm claims were not directed to a machine, because the paradigm claims "do not recite 'a concrete thing, consisting of parts, or of certain devices and combination of devices,'" and therefore are no more than an abstract idea. *Id.* at 10 (quoting *Nuijten*, 500 F.3d at 1355). The Court concluded that because the paradigm claims were directed to no more than an abstract idea, they were unpatentable as not directed to statutory subject matter. In particular, the Court remarked, "Indeed, it can be said that Applicants' paradigm claims are drawn quite literally to the paradigmatic abstract idea." *Id.* at 11 (internal quotation marks omitted).

Judge Newman concurred with the judgment that the claims of the '823 application were not patentable because they do not pass the test of nonobviousness set forth in 35 U.S.C. § 103. However, Judge Newman did not agree with the majority's determination that the claims of the

'823 application were not directed to statutory subject matter under 35 U.S.C. § 101. Judge Newman asserted that the majority redefined the *Bilski* opinion, adding dicta that was more than necessary given the facts in this particular case, and casting doubt on thousands of previously granted patents. Specifically, Judge Newman stated that the majority not only erroneously asserted that the machine-or-transformation test is the test for patentability of the Supreme Court, but also that *Bilski* overturned the tests for patentability set forth in *State Street* and in the *Freeman-Walter-Abele* series of cases. Judge Newman noted that the majority defines an abstract idea as anything that does not meet the machine-or-transformation test, even if the claim itself is directed to something that is not an abstraction. Judge Newman warned that the majority in this case, and in previous cases such as *Bilski*, was not supporting innovation and investment in new ideas and new technologies by analyzing patentability using old tests such as the machine-or-transformation test.

## Mandate Recalled for Failure to Instruct District Court on Postjudgment Interest

*Raymond M. Gabriel*

**Judges: Linn (author), Clevenger, Prost**

**[Appealed from D.N.J., Senior Judge Lifland]**

In *Mars, Inc. v. Coin Acceptors, Inc.*, Nos. 07-1409, -1436 (Fed. Cir. Mar. 9, 2009), the Federal Circuit recalled its mandate issued in *Mars, Inc. v. Coin Acceptors, Inc.*, 527 F.3d 1359, 1374 (Fed. Cir. 2008). The original mandate failed to instruct the district court to award postjudgment interest, to which Mars, Inc. ("Mars") was entitled under Fed. R. App. P. 37(b).

Mars requested recall of the mandate, alleging that it was deficient under Rule 37(b), which requires a mandate to contain instructions about the allowance of interest if the appellate court modifies or reverses a judgment. Here, the Federal Circuit reduced the amount of the district court's damages award by holding that Mars lacked standing to recover damages from 1996 to 2003. It affirmed-in-part and reversed-in-part the

judgment of the district court and remanded “for recalculation of damages for the period prior to 1996 and for further proceedings.” Slip op. at 1 (quoting *Mars*, 527 F.3d at 1374). While recognizing that the power to recall a mandate should be exercised sparingly, the Federal Circuit nonetheless found it appropriate here. Because the Court’s decision modified the district court’s judgment within the meaning of Rule 37(b), only it had the power to award postjudgment interest. The mandate erroneously did not contain any instruction concerning an award of interest, so the Court recalled the mandate to determine whether Mars was entitled to such an award.

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“Other circuits have cautioned that motions to recall a mandate for noncompliance with Rule 37(b) must be made ‘expeditiously,’ else they are waived. However, we have taken a more lenient view . . . .” Slip op. at 5 (citation omitted).

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To determine whether Mars was entitled to postjudgment interest, the Federal Circuit applied the law of the Third Circuit. In the Third Circuit, “determining whether post-judgment interest should run from the original judgment . . . turns on the degree to which the original judgment was upheld or invalidated.” *Id.* at 3-4 (alteration in original) (quoting *Loughman v. Consol-Pennsylvania Coal Co.*, 6 F.3d 88, 97 (3d Cir. 1993)). Plaintiffs are generally entitled to postjudgment interest under Third Circuit law when a decision is closer to an affirmance than a reversal.

Here, the parties did not dispute that the Federal Circuit’s decision was closer to an affirmance. Thus, under Third Circuit law, postjudgment interest was appropriate from the date of the district court’s judgment—May 22, 2007. Coin Acceptors, Inc. (“Coinco”), however, offered two arguments against any award of postjudgment interest.

First, Coinco argued Mars unsuccessfully appealed an award of damages in its favor. In support of this argument, Coinco relied on various cases

applying an old common law rule under which, “if a party takes an appeal from an award in his favor and is unsuccessful, he is not allowed interest pending the appeal upon what he got under the decree of the district court” because, by his appeal, he has made it impossible for the appellee to discharge the debt. *Id.* at 4 (citing *Lauro v. United States*, 168 F.2d 714, 716 (2d Cir. 1948)). The Federal Circuit rejected the argument, agreeing with the Second Circuit’s decision in *Kotsopoulos v. Asturia Shipping Co.*, 467 F.2d 91, 94 (2d Cir. 1972), that Rule 37 supplanted the *Lauro* rule. The Federal Circuit concluded that, if the Third Circuit were confronted with Coinco’s argument, it would, like the Second Circuit, hold that Rule 37 abrogated the old common law rule.

Coinco next pointed out Mars’s six-month delay in filing its motion to recall as a basis to deny postjudgment interest. Although the Federal Circuit recognized that other circuits have cautioned that motions to recall a mandate for noncompliance with Rule 37(b) must be made “expeditiously,” it reminded that the Federal Circuit has taken a more lenient view and allowed an argument based on Rule 37(b) to go forward on appeal even when neither side pointed out the oversight when it occurred. The Court also found that Mars was not solely at fault for the delay because it was at least in part due to ongoing negotiations between the parties while Coinco unsuccessfully petitioned for certiorari. Accordingly, the Federal Circuit concluded that Mars’s motion to recall the mandate was timely and should be granted.

## Federal Circuit Affirms Award of Attorneys’ Fees for Litigation Misconduct

*Jae I. Park*

**Judges: Michel, Prost, Moore (author)**

**[Appealed from C.D. Cal., Senior Judge Pfaelzer]**

In *ICU Medical, Inc. v. Alaris Medical Systems, Inc.*, No. 08-1077 (Fed. Cir. Mar. 13, 2009), the Federal Circuit held that the district court correctly granted SJ of noninfringement and SJ of invalidity, did not commit clear error in awarding attorneys’



fees, and did not abuse its discretion in granting Rule 11 sanctions—all in favor of Alaris Medical Systems, Inc. (“Alaris”).

The technology in this case concerns medical valves used in the transmission of fluids to or from a medical patient, such as when using an IV. Prior techniques involved the insertion of an external needle into a side port that connected to the main IV line, but this technique had several problems. ICU Medical, Inc. (“ICU”) attempted to overcome these problems by inventing a medical valve that receives fluid from a medical implement (e.g., a syringe) without the use of an external needle. The medical implement compresses a seal on the valve to create a fluid pathway from the medical implement through the valve and into a patient’s IV line.

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“Attorney fees may be warranted for litigation misconduct or ‘if both (1) the litigation is brought in subjective bad faith, and (2) the litigation is objectively baseless.’” Slip op. at 14-15 (quoting *Brooks Furniture Mfg., Inc. v. Dutailier Int’l, Inc.*, 393 F.3d 1378, 1381 (Fed. Cir. 2005)).

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Initially, ICU sued Alaris for patent infringement, asserting only one patent and its so-called “spikeless” claims. ICU then filed for a temporary restraining order (“TRO”), which the district court denied because Alaris presented substantial questions of invalidity for the asserted spikeless claims. Subsequently, ICU amended its complaint to assert claims from three other patents. The asserted claims fall into three groups: the spike claims, the spikeless claims, and the tube claims. After a series of detailed orders and findings, the district court granted SJ of noninfringement of the spike claims, SJ of invalidity of the spikeless and tube claims, and attorneys’ fees and Rule 11 sanctions. ICU appealed all three judgments.

First, the Federal Circuit affirmed the district court’s grant of SJ of noninfringement of the spike claims, finding that the district court properly adopted Alaris’s proposed construction of the term “spike” to mean “an elongated structure

having a pointed tip for piercing the seal, which tip may be sharp or slightly rounded” over ICU’s broader proposal of “an upward projection.” In doing so, the Court noted that the district court correctly relied on the written description for guidance and observed that the specification “repeatedly and uniformly describes the spike as a pointed instrument for the purpose of piercing a seal inside the valve.” Slip op. at 6. Although the functional limitation of piercing is not recited in the claim, the Court explained that it is “entirely proper to consider the functions of an invention in seeking to determine the meaning of particular claim language.” *Id.* at 7 (quoting *Medrad, Inc. v. MRI Devices Corp.*, 401 F.3d 1313, 1319 (Fed. Cir. 2005)). Here, the Court found that the functional language of “for piercing the seal” is appropriate because it defines the degree to which the spike must be pointed. Lastly, the Court rejected ICU’s contention that a construction of spike that requires “a pointed tip for piercing the seal” would render a dependent claim reciting “wherein said end of said spike is pointed” superfluous, noting that the “doctrine [of claim differentiation] is not a rigid rule but rather is one of several claim construction tools.” *Id.* at 8.

Second, the Court affirmed the district court’s grant of SJ of invalidity of the spikeless and tube claims for lack of written description under 35 U.S.C. § 112, ¶ 1. The spikeless claims recite a needleless connector valve comprising a body and a seal; it does not recite any spike limitation. Originally, the patents-in-suit did not include the spikeless claims. The spikeless claims were added years after the patents were filed without any change to the specification.

Alaris challenged the validity of the spikeless claims on the basis that they lack written description in the specification. ICU responded that these claims are spike-optional—i.e., because the claims contain no spike limitation, they cover valves with a spike and valves without a spike. Rejecting ICU’s argument that figures and descriptions that include spikes somehow demonstrate that the inventor possessed a medical valve that operated without a spike, the Court found that a person of skill in the art would not understand the inventor of the asserted patents to have invented a spikeless medical valve.

The tube claims recite a needleless connector valve comprising a body and a resilient seal, as well as "a tube seated in the distal end of said cavity for permitting fluid to flow through the distal end of said cavity, said tube sized such that a portion of said seal fits snugly around the distal end of said tube." ICU argued that spikes are a species of tubes and that the specification's disclosure of spikes with one or more holes at the tip support claims to the genus of tubes. Alaris responded by pointing out that the specification discloses only tubes that are hollow or cylindrical with holes at both ends, and as part of the valve body rather than as located within the seal or distal end of the body. Considering ICU's failure to identify any disclosure in the specification to support its species-genus argument, the Court agreed with Alaris and found that the specification draws a clear distinction between a spike and a tube.

Third, applying Federal Circuit law, the Court affirmed the district court's award of attorneys' fees under 35 U.S.C. § 285 only for that portion of the litigation relating to (1) the TRO/preliminary injunction ("PI"); (2) ICU's assertion of the "spike" claims; and (3) ICU's construction of the term "spike" at claim construction. Noting that "[a]ttorney fees may be warranted for litigation misconduct or 'if both (1) the litigation is brought in subjective bad faith, and (2) the litigation is objectively baseless,'" *id.* at 14-15 (quoting *Brooks Furniture Mfg., Inc. v. Dutailier Int'l, Inc.*, 393 F.3d 1378, 1381 (Fed. Cir. 2005)), the Court found that the district court applied the appropriate legal standard and articulated several bases in support of the award, none of which ICU has shown to be clearly erroneous. For example, the district court found that ICU made multiple, repeated misrepresentations to the district court regarding its own patents in an effort to conceal what are now characterized as errors in order to rescue the TRO/PI from denial. These misrepresentations related to (1) ICU's assertion of double-patented claims; (2) ICU's assertion of more double-patented claims even after Alaris and the district court warned ICU of the double-patenting issue; (3) ICU's misrepresentation of Federal

Circuit authority; and (4) ICU's representation that certain figures of the common specification "clearly" disclosed a spikeless embodiment, only to later acknowledge that these figures do not disclose such an embodiment and state that its representation was an "honest mistake." Furthermore, the Court held the district court appropriately exercised its discretion in holding that ICU's misconduct warranted Rule 11 sanctions, and that some of the misconduct warranted an award of attorneys' fees.

Lastly, under Supreme Court and Ninth Circuit precedent, the Court affirmed the district court's award of Rule 11 sanctions. The Court began by noting that when reviewing an award of Rule 11 sanctions, the Supreme Court has advised all appellate courts to "apply an abuse-of-discretion standard in reviewing all aspects of a district court's Rule 11 determination." *Id.* at 17 (quoting *Cooter & Gell v. Hartmarx Corp.*, 496 U.S. 384, 405 (1990)). Under this standard, "[a] district court would necessarily abuse its discretion if it based its ruling on an erroneous view of the law or on a clearly erroneous assessment of the evidence." *Id.* (alteration in original) (quoting *Cooter*, 496 U.S. at 405). And under Ninth Circuit law, before awarding Rule 11 sanctions, "a district court must conduct a two-prong inquiry to determine (1) whether the complaint [or relevant document] is legally or factually 'baseless' from an objective perspective, and (2) if the attorney has conducted 'a reasonable and competent inquiry' before signing and filing it." *Id.* (quoting *Christian v. Mattel, Inc.*, 286 F.3d 1118, 1127 (9th Cir. 2002)). Applying these laws, the Court found that the district court properly determined that ICU's frivolous construction and assertion of the "spike" claims in the amended complaint concurrently justified sanctions under Rule 11. *Id.* The Court also noted the district court's decision not to award monetary sanctions for the violations of Rule 11, because the amount of the award of Rule 11 sanctions was "subsumed" by the amount of attorneys' fees awarded under § 285, which "ha[d] sufficiently admonished ICU and its counsel for any improper conduct under Rule 11." *Id.* at 18 (alteration in original) (quoting Fee Determination Order at 9).

## Marking Requirement of 35 U.S.C. § 287(a) Does Not Apply When Only Method Claims Asserted

Jared D. Schuettenhelm

**Judges: Bryson, Gajarsa, Moore (author)**

**[Appealed from D. Del., Magistrate Judge Thyng]**

In *Crown Packaging Technology, Inc. v. Rexam Beverage Can Co.*, Nos. 08-1284, -1340 (Fed. Cir. Mar. 17, 2009), the Federal Circuit reversed and remanded the district court's grant of SJ of noninfringement of Crown Packaging Technology, Incorporated's ("Crown") U.S. Patent No. 6,935,826 ("the '826 patent"). The Federal Circuit also reversed the district court's grant of SJ dismissing Rexam Beverage Can Company's ("Rexam") counterclaim for infringement of U.S. Patent No. 4,774,839 ("the '839 patent").

Crown and Rexam both sell beverage can ends and bodies to beverage fillers. The beverage fillers first fill the can bodies with the desired beverage and then seal the can ends to the can bodies. Crown's "Superend" can end was the commercial embodiment of the '826 patent. Crown contended that the Superend revolutionized the low-margin beverage can market by requiring less metal than a conventional can end. Rexam designed its own can end, the "Rexam End," to compete with the Superend.

Crown filed suit against Rexam, alleging that the Rexam End infringed claim 14 of the '826 patent under the DOE. In response, Rexam filed counterclaims alleging that Crown infringed the '839 patent. The district court granted Crown's motion for partial SJ under 35 U.S.C. § 287(a), dismissing one of Rexam's counterclaims for failure to mark. The district court also granted Rexam's SJ motion of noninfringement of claim 14 of the '826 patent. Both parties appealed the district court's decision.

On appeal, the Court first addressed whether it had jurisdiction to hear the appeals. The Court noted that the district court had issued an amended order granting Crown's SJ motion to dismiss Rexam's first counterclaim. Several

months later, the district court issued a final judgment resolving the remaining claims and counterclaims, but the final judgment did not mention the earlier dismissal of Rexam's first counterclaim. Thus, the Court stated that it was obligated to consider whether the final judgment ended the litigation on the merits. The Court recognized that an earlier, nonappealable order may merge into a subsequent final judgment, and concluded that the district court clearly intended the final judgment to dispose of all the claims and counterclaims.

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**"The law is clear that the notice provisions of § 287 do not apply where the patent is directed to a process or method." Slip op. at 12.**

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Turning to the merits, the Court first reviewed the district court's grant of Rexam's SJ motion of noninfringement under the DOE. Specifically, the Court analyzed the parties' arguments regarding whether the "fold" in the Rexam End was equivalent to the "annular reinforcing bead" in claim 14 of the '826 patent using the function-way-result test. Crown's expert opined that the function of the annular reinforcing bead in the '826 patent was to increase the pressure resistance of a sealed-on can end and that the function of the Rexam End fold was identical. After analyzing the way and result prongs of the test, Crown's expert concluded that the Rexam End is not substantially different from its corresponding elements in the '826 patent.

In his report, Rexam's expert conceded that a function of the annular reinforcing bead is to increase pressure resistance. Rexam's expert argued, however, that there was no infringement based on his analysis of the way prong of the test. Nevertheless, in its brief for SJ, Rexam suggested that the annular reinforcing bead performed two additional functions. First, it argued that the annular reinforcing bead functioned to support the central panel of the can. Second, it argued that the annular reinforcing bead provided an opening into which a portion of the sealing machine could enter during the filling and sealing process. Crown addressed these arguments in

its opposition brief by simply stating that the declaration of its expert confirmed that there was a genuine issue of material fact as to infringement under the DOE. While Crown asserted that its expert's report precluded SJ, it did not provide a detailed argument for this statement or present any additional evidence. Based on Rexam's argument regarding the two additional functions, together with Crown's failure to counter this evidence, the district court concluded there was no genuine issue of material fact and granted SJ of noninfringement.

The Court noted that Rexam offered only attorney argument to support the two additional functions, not actual evidence. Second, the Court interpreted Crown's response, which pointed to its expert report, as sufficient to create a material issue of fact. The Court distinguished this from a case where Crown failed to respond to an argument or failed to respond with any evidence, noting that Crown's expert reviewed the claim in light of the specification and determined that there was only one function. The Court concluded that while Crown could have made this clearer by specifically addressing the issue or restating its expert's analysis, its failure to refer to evidence already before the district court should not be fatal. Since Crown had provided evidence to support its position, and since any reasonable factual inference must be resolved in favor of the nonmoving party, the Court reversed the grant of SJ and remanded.

Turning to Rexam's cross-appeal, the Court considered the district court's grant of SJ dismissing Rexam's counterclaim for infringement of the '839 patent for failure to mark the machines that perform the patented method. The '839 patent contains both apparatus and method claims. The Court stated that "[t]he law is clear that the notice provisions of § 287 do not apply where the patent is directed to a process or method." Slip op. at 12. The Court concluded that this case was factually identical to *Hanson v. Alpine Valley Ski Area, Inc.*, 718 F.2d 1075 (Fed. Cir. 1983), which held that 35 U.S.C. § 287(a) did not apply where a patentee only asserted the method claims of a patent that included both method and apparatus claims. Thus, since Rexam only asserted the method claims, § 287 did not apply, and the Court reversed the district court's grant of SJ dismissing Rexam's counterclaim for infringement of the '839 patent.

## Factual Findings Supporting Award of Priority Reviewed for Substantial Evidence

Jenna M. Morrison

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

### [Appealed from Board]

In *Henkel Corp. v. Proctor & Gamble Co.*, No. 08-1447 (Fed. Cir. Mar. 18, 2009), the Federal Circuit affirmed the Board's award of priority of invention to The Proctor & Gamble Company ("P&G") because the Board's underlying factual determinations supporting the award were reasonable.

Claim 1 of U.S. Patent No. 6,399,564 ("the '564 patent"), owned by P&G, is representative of the count at issue in an interference between P&G and Henkel Corporation ("Henkel") concerning two-region dishwasher detergent tablets. Specifically, claim 1 calls for a detergent tablet having a compressed portion that dissolves at a faster rate than a noncompressed portion.

In a previous appeal, the Court determined that the reduction to practice of the invention required a demonstration that the inventors appreciated that the dissolution rate of the compressed region was greater than the dissolution rate of the noncompressed region. The Court concluded that Henkel had demonstrated such an appreciation no later than May 1997.

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"[O]ur inquiry in this case is not how we would interpret this statement in the Metzger-Groom Report were we to do so in the first instance. Rather, our task is to determine whether the Board's interpretation is supported by substantial evidence." Slip op. at 7.

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On remand, the Board held that P&G had made, and at least one inventor appreciated, an embodiment within the scope of the count before Henkel's earliest reduction to practice, specifically



in February 1997. Consequently, the Board awarded priority of invention to P&G.

In the present appeal, the Court reviewed the Board's underlying factual findings supporting the award of priority for substantial evidence. Specifically, the Court reviewed whether substantial evidence supports the Board's determination that P&G's inventors appreciated, before Henkel, that the compressed region of the tablet dissolved at a greater rate than a noncompressed region.

In its determination, the Board concluded that the testimony of a P&G inventor (McGregor) concerning when he appreciated the dissolution rates was corroborated by a P&G monthly report (the "Metzger-Groom report"). The Metzger-Groom report described a loss of performance of a two-region "dimple" tablet, which contained a compressed region and a noncompressed region. Slip op. at 6. The Metzger-Groom report further noted that the loss of performance could have been the result of "slower release of [the noncompressed region] from the dimple vs. regular [compressed] tablets." *Id.* The Board interpreted this passage of the Metzger-Groom report as an appreciation by McGregor (and P&G) of the comparative dissolution rates before Henkel.

P&G and Henkel offered competing interpretations of that portion of the Metzger-Groom report and the Court acknowledged that interpretation of that portion could reasonably go either way. The Federal Circuit noted that its inquiry was not how to interpret the portion of the Metzger-Groom report in the first instance, but whether the Board's interpretation was supported by substantial evidence. *Id.* at 7. Pointing to the Metzger-Groom report's focus on testing the two-region dimple tablet and its general reference to dissolution rates, the Court determined that the Board's interpretation was reasonable. Accordingly, the substantial evidence standard of review compelled affirmance of the Board's interpretation.

Finally, the Court noted that Henkel's challenge was limited to the Board's interpretation of the Metzger-Groom report and not the Board's

conclusion of corroboration based on that interpretation. Since the interpretation was reasonable, the Court affirmed the Board's award of priority of invention to P&G.

## Judge Linn Calls for En Banc Review of Inequitable Conduct Standard After Court Reverses Finding of Inequitable Conduct

*Elisabeth Jaffe Barek*

**Judges: Schall (author), Clevenger, Linn (concurring)**

**[Appealed from D.S.D., Judge Piersol]**

In *Larson Manufacturing Co. of South Dakota, Inc. v. Aluminart Products Ltd.*, Nos. 08-1096, -1174 (Fed. Cir. Mar. 18, 2009), the Federal Circuit affirmed the District Court of South Dakota's finding that plaintiff-appellant failed to disclose to the Reexamination Panel two Office Actions issued in the prosecution of a continuation application that were noncumulative and material, reversed the district court's finding that plaintiff-appellant failed to disclose to the Reexamination Panel three pieces of prior art that were noncumulative and material, and vacated the district court's finding of inequitable conduct and its ultimate determination that the patent at issue was unenforceable. The case was remanded for further proceedings.

The patent at issue, U.S. Patent No. 6,618,998 ("the '998 patent"), is directed to a storm door with a moving glass insert and a retractable screen feature. The screen module can be attached to the door's header, jambs, or sill. A free end of the screen is attached to the upper end of the glass panel insert. In operation, the rolled screen retracts into the screen module and is hidden from view when the glass insert is raised toward the header and the screen module. When the glass insert is lowered toward the door sill, it travels into a hollow panel, allowing the screen to unroll into service. The insert travels up and down in weather stripping-lined tracks located in the doorjambs.

The '998 patent issued from the prosecution of U.S. Application No. 10/212,465

("the '465 application"). Once the '998 patent issued, Larson Manufacturing Company of South Dakota, Inc. ("Larson") filed a continuation application No. 10/606,039 ("the '039 continuation") directed toward similar screen door technology. Larson filed suit against Aluminart Products Limited ("Aluminart"), alleging that one of its products, a storm door with a retractable screen, infringes the '998 patent. In response, Aluminart contended that Larson engaged in inequitable conduct during the prosecution of the '465 application. Aluminart also filed a request for reexamination, arguing that there was a substantial new question of patentability based on prior art not considered during prosecution.

The PTO simultaneously conducted the prosecution of the '039 continuation and the reexamination of the '998 patent. In both proceedings, the same patent attorney represented Larson. The district court stayed the litigation during the pendency of the reexamination. Once the PTO issued the reexamination certificate, the district court lifted the stay. Subsequently, Aluminart amended its pleadings to include a counterclaim alleging that Larson engaged in inequitable conduct during the reexamination of the '998 patent.

After a bench trial, the district court found that Larson had deliberately withheld several material references from the Reexamination Panel: (1) product and marketing materials for screen configurations produced by a company named Genius ("Genius literature"); (2) German Patent No. 19639478 ("the DE '478 patent"); (3) product and marketing materials for screen configurations produced by a company named Preferred Engineering ("Preferred Engineering literature"); and (4) Third and Fourth Office Actions from the '039 continuation. The district court ruled that Larson had withheld the material with the requisite intent, and that deceptive intent could be inferred from the circumstances. Each reference was considered to be material and not cumulative of prior art already before the Reexamination Panel. The district court determined that the threshold levels of materiality and intent had been satisfied, and balanced the two factors. The district court found that Larson engaged in inequitable conduct before the PTO, and held unenforceable the '998 patent.

On appeal, Larson argued that the references were cumulative of prior art that was already before the Reexamination Panel, and contended that the district court erred in finding, without direct evidence, that it intended to deceive the Reexamination Panel. Specifically, Larson argued that the district court improperly inferred intent merely because of the nondisclosure of references. Larson also argued that even if the district court's findings of materiality and intent were correct, the court abused its discretion in balancing the two factors in ultimately ruling that the '998 patent was unenforceable.

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*"I write separately . . . to express my view that this precedent has significantly diverged from the Supreme Court's treatment of inequitable conduct and perpetuates what was once referred to as a "plague" that our en banc court sought to cure in *Kingsdown Medical Consultants, Ltd. v. Hollister Inc.*, 863 F.2d 867, 876 n.15 (Fed. Cir. 1988) (en banc) . . . ."*  
Linn Concurrence at 1.

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The Federal Circuit first considered the Genius literature and the DE '478 patent. The Court found the Genius literature and the DE '478 patent cumulative of another patent, U.S. Patent No. 6,082,432 ("the Kissinger patent"), before the Reexamination Panel, as the specific features in the two pieces of prior art that the district court had found to be material were disclosed by the Kissinger patent.

Next, the Federal Circuit considered the Preferred Engineering literature. Again, the Court held that the district court clearly erred in its ruling. Specifically, the Federal Circuit found that the Preferred Engineering literature was cumulative of another patent, U.S. Patent No. 2,107,755 ("the Kemp patent"), before the Reexamination Panel, as the specific feature in the prior art deemed to be material was disclosed by the Kemp patent.

Finally, the Federal Circuit considered the Third and Fourth Office Actions from the '039 continuation. The Federal Circuit concluded that the withheld Office Actions were material because they contained another examiner's adverse decisions about substantially similar claims, and because they were not cumulative to the First and Second Office Actions. Thus, even though Larson disclosed each material reference disclosed in the Office Actions, and even though it had clearly notified the Reexamination Panel that the '039 continuation was pending, Larson should have disclosed the Third and Fourth Office Actions, because those Office Actions contained "information that an examiner could consider important." Slip op. at 33 (quoting *Dayco Prods., Inc. v. Total Containment, Inc.*, 329 F.3d 1358, 1368 (Fed. Cir. 2003)).

The Federal Circuit next considered whether Larson acted with deceptive intent. The Court concluded that because the Genius literature, the DE '478 patent, and the Preferred Engineering literature were not material, the district court's finding of deceptive intent could not stand. Accordingly, the Court vacated the district court's determination of inequitable conduct and remanded for determination of whether Larson withheld the only remaining material items—the Third and Fourth Office Actions—with a threshold level of deceptive intent and, if so, whether balancing that level of intent with the level of materiality warranted holding the '998 patent unenforceable.

Finally, the Federal Circuit provided detailed guidance to the district court with respect to the issue of deceptive intent: (1) the court should not accept additional evidence and should analyze all the evidence of record; (2) materiality does not presume intent, and nondisclosure, by itself, cannot satisfy the deceptive intent element—deceptive intent can be inferred from circumstantial evidence, but the circumstantial evidence must be clear and convincing; (3) the court should take into account any evidence of good faith, including Larson's notification to the Reexamination Panel of the simultaneous prosecution of the '039 continuation; and (4) after all the above evidence is analyzed, the court must then conduct the balancing test.

In a concurring opinion, Judge Linn called for an en banc review of the standard for inequitable conduct. In Judge Linn's view, a lower standard than "gross negligence" has propagated through Federal Circuit case law, permitting an inference of deceptive intent when "(1) highly material information is withheld; (2) 'the applicant knew of the information [and] . . . knew or should have known of the materiality of the information; and (3) the applicant has not provided a credible explanation for withholding.'" Linn Concurrence at 3 (alterations in original) (quoting *Praxair, Inc. v. ATMI, Inc.*, 543 F.3d 1306, 1313-14 (Fed. Cir. 2008)).

Judge Linn finds this test problematic for several reasons. First, according to Judge Linn, the "high materiality" prong of the intent element simply repeats the materiality element, impermissibly conflating materiality and intent. Next, Judge Linn finds that the "should have known" prong sets forth a simple negligence standard that was expressly rejected in *Kingsdown Medical Consultants, Ltd. v. Hollister Inc.*, 863 F.2d 867 (Fed. Cir. 1988) (en banc). Judge Linn also questions whether a fact-finder who has deemed information "highly material" would not also be compelled to conclude that a reasonable patentee "should have known of the materiality," at least when the patentee "knew of the information," as prong two requires. Third, Judge Linn finds that the "credible explanation" prong impermissibly shifts the burden to the patentee to prove a negative—that it did not intend to deceive the PTO—when it is the accused infringer, not the patentee, who must prove by clear and convincing evidence that the material information was withheld with the specific intent to deceive the PTO. Finally, because the test generally permits an inference of deceptive intent to be drawn whenever the three prongs are satisfied, Judge Linn finds tension with the rule that "the inference must not only be based on sufficient evidence and be reasonable in light of that evidence, but it must also be the *single most reasonable* inference able to be drawn from the evidence." Linn Concurrence at 5 (quoting *Star Scientific, Inc. v. R.J. Reynolds Tobacco Co.*, 537 F.3d 1357 (Fed. Cir. 2008)). In Judge Linn's view, it cannot be said that deceptive intent is the "single most reasonable inference" when all that prong two shows is that the patentee "should have known"

that the information was material. Judge Linn believes that an equally reasonable inference under this test is that the patentee incorrectly believed that the information was material, or that the patentee was negligent or grossly negligent.

For these reasons, Judge Linn concluded that “the test for inferring deceptive intent, as it currently exists, falls short of the standard ‘need[ed] to strictly enforce the burden of proof and elevated standard of proof in the inequitable conduct context.’” *Id.*

## Motion for Sanctions Granted Where Appellants Fail to Identify Reversible Error Below and Continue to Misrepresent Facts and Law

Jason M. Webster

**Judges: Bryson (dissenting), Linn (author), Prost**

**[Appealed from N.D. Cal., Senior Judge Jensen]**

In *E-Pass Technologies, Inc. v. 3Com Corp.*, Nos. 08-1144, -1145, -1146, -1470, -1471, -1472 (Fed. Cir. Mar. 20, 2009), the Federal Circuit affirmed the district court’s conclusion that three related cases were exceptional under 35 U.S.C. § 285 and awards of attorneys’ fees. The Court also granted defendant-appellee Access Systems Americas, Inc.’s (formerly known as PalmSource, Inc.) (“PalmSource”) motion for sanctions against E-Pass Technologies, Inc. (“E-Pass”) for filing a frivolous appeal.

E-Pass is the assignee of U.S. Patent No. 5,276,311 (“the ‘311 patent”), which is directed to a method and device for simplifying the use of a plurality of credit cards or the like. In 2000, E-Pass filed suit against 3Com Corporation and Palm, Inc. alleging infringement of the ‘311 patent. During the course of litigation, the district court construed the term “electronic multi-function card” and granted SJ of noninfringement based on that construction. E-Pass appealed and the Federal Circuit substituted a construction of the “electronic multi-function” term and remanded for further proceedings in light of the new

construction. *E-Pass Techs., Inc. v. 3Com Corp.*, 343 F.3d 1364, 1365 (Fed. Cir. 2003) (“*E-Pass I*”).

E-Pass then filed two additional suits in the same court. In 2003, E-Pass filed suit against Visa International and Visa U.S.A. for infringement of the ‘311 patent, and in February 2004, it filed suit against PalmSource, again alleging infringement of the ‘311 patent. The district court grouped the cases together as related and subsequently granted SJ of noninfringement for all defendants. E-Pass again appealed the district court’s decision and the Federal Circuit affirmed. The Court agreed with the district court’s finding that E-Pass failed to provide evidence showing any defendant practiced all the steps of the claimed method. See *E-Pass Techs., Inc. v. 3Com Corp.*, 473 F.3d 1213, 1221 (Fed. Cir. 2007) (“*E-Pass II*”).

Following entry of judgment but prior to the *E-Pass II* decision, the district court deemed each of the three actions exceptional under 35 U.S.C. § 285 and awarded attorneys’ fees. The district court did so based primarily on the inadequacy of E-Pass’s pre-filing investigations and its repeated misconduct throughout the litigation. On appeal, E-Pass challenged the district court’s exceptionality findings and awards of attorneys’ fees. PalmSource moved for sanctions, arguing that E-Pass’s appeal was frivolous with regard to PalmSource because E-Pass failed to identify a reversible error of the district court and made misrepresentations to the Court.

The Federal Circuit first reminded that “[i]f a court of appeals determines that an appeal is frivolous, it may, after a separately filed motion or notice from the court and reasonable opportunity to respond, award just damages and single or double costs to the appellee.” Slip op. at 3 (quoting Fed. R. App. P. 38). The Court stated that an appeal can be “frivolous as filed” and/or “frivolous as argued.” An appeal is frivolous as filed “when an appellant grounds his appeal on arguments or issues that are beyond the reasonable contemplation of fair-minded people, and no basis for reversal in law or fact can be or is even arguably shown.” *Id.* at 4 (quoting *Abbs v. Principi*, 237 F.3d 1342, 1345 (Fed. Cir. 2001)). An appeal is frivolous as argued “when an appellant has not dealt fairly with the court, [or] has significantly misrepresented the law or facts.” *Id.* (alteration in original). The Court found E-Pass’s appeal, as it relates to PalmSource,



frivolous at least because E-Pass failed to explain how the trial court erred or to present cogent or clear arguments for reversal. The Court also found that E-Pass made significant misrepresentations of the record and the law.

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**“The tactics employed by E-Pass in this appeal, including both the misrepresentations made and the failure to cogently identify any reversible error of the district court, far outweigh any non-frivolous argument that may be lurking in its briefs.” Slip op. at 10.**

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With regard to E-Pass’s failure to clearly or cogently identify a ground for reversal of the district court’s decision as to PalmSource, the Court first noted the district court’s findings that E-Pass’s case against PalmSource was weak and that E-Pass engaged in litigation misconduct, for example, by changing allegations of infringement, refusing to supplement infringement contentions, and opposing SJ on the basis of lack of discovery coupled with a failure to take discovery it had requested and received. The Court found that the totality of the circumstances led the district court to find the action against PalmSource exceptional and award attorneys’ fees.

The Court also found that E-Pass’s appeal brief virtually ignored PalmSource, focusing almost entirely on the other defendants-appellees. The Court noted that, even after PalmSource put E-Pass on notice of the alleged frivolousness of E-Pass’s appeal by requesting sanctions in its reply brief, “E-Pass still failed to clearly or cogently explain in its brief why the district court’s findings in the PalmSource litigation were clearly erroneous or an abuse of discretion.” *Id.* at 6.

Turning to E-Pass’s misrepresentations to the Court, the Court first addressed E-Pass’s prefiling investigation, about which the district court found that there was at least “a serious question.” Despite the district court’s misgivings and finding of exceptionality as to PalmSource, the Court noted that E-Pass “boldly contended” that the

district court specifically found that E-Pass’s prefiling investigation was sufficient to avoid making the case exceptional. *Id.* at 7. The Court concluded, however, that the district court found only the prefiling investigation of another of the seven defendants-appellees sufficient, and that any question as to the sufficiency of E-Pass’s prefiling investigation was overcome by E-Pass’s numerous acts of litigation misconduct. *Id.* at 8.

Next, the Court discussed E-Pass’s representation regarding the legal standard for exceptionality. E-Pass stated unequivocally that the standard for an exceptional case finding is “whether the case was brought in subjective bad faith and the litigation was objectively baseless.” *Id.* (quoting E-Pass’s Reply Br. at 29). The Court observed that this is not the law and that E-Pass left out an important condition. The case cited by E-Pass states that, “[a]bsent misconduct in the litigation or in securing the patent, a trial court may only sanction the patentee if both the litigation is brought in subjective bad faith and the litigation is objectively baseless.” *Id.* at 9 (quoting *Serio-US Indus., Inc. v. Plastic Recovery Techs. Corp.*, 459 F.3d 1311, 1322 (Fed. Cir. 2006)). Because litigation misconduct was a central issue in the case, the Court found it “difficult to view E-Pass’s omission of the critical portion of the legal standard applicable to it as anything other than an attempt to mislead the court.” *Id.*

Finally, the Court held that even if E-Pass had made a nonfrivolous, yet unmeritorious argument, that would not change the Court’s determination that the appeal as a whole is frivolous. The Court stated, “The tactics employed by E-Pass in this appeal, including both the misrepresentations made and the failure to cogently identify any reversible error of the district court, far outweigh any non-frivolous argument that may be lurking in its briefs.” *Id.* at 10.

In a dissenting opinion, Judge Bryson did not take issue with most of the majority’s criticisms of the appellant’s presentation but would not have imposed sanctions. Although Judge Bryson acknowledged that E-Pass did not clearly identify issues on appeal that apply to PalmSource, he identified one issue as to which E-Pass specifically named PalmSource and as to which it was reasonable for E-Pass to pursue an appeal. Specifically, Judge Bryson observed

that E-Pass asserted that the district court's award of attorneys' fees to PalmSource starting from the inception of their respective cases was unreasonable and an abuse of discretion. E-Pass argued that, instead of that fee award, the district court should have apportioned the fees and awarded only those fees incurred after E-Pass should have dropped the suit. Judge Bryson found this argument and its specific identification of PalmSource not so frivolous as to warrant the imposition of sanctions.

## In a Split-Panel Decision, Federal Circuit Upholds the Invalidity of Just One of the Four Challenged PTO Rules

Jessica A. Keesee

**Judges: Rader (dissenting-in-part), Bryson (concurring), Prost (author)**

**[Appealed from E.D. Va., Senior Judge Cacheris]**

In *Tafas v. Doll*, No. 08-1352 (Fed. Cir. Mar. 20, 2009), the Federal Circuit, in a split-panel decision, affirmed the district court's grant of SJ that Final Rule 78 is inconsistent with 35 U.S.C. § 120, and vacated the district court's grant of SJ with respect to Final Rules 75, 114, and 265.

The PTO issued new rules in August 2007. Four of the new rules (collectively the "Final Rules") were at issue in this appeal. Final Rules 78 and 114 pertain to continuation applications and requests for continued examination ("RCEs"). Final Rule 78 governs the availability of continuation and continuation-in-part applications. Under Final Rule 78, an applicant is entitled to file two continuation applications as a matter of right. If an applicant wishes to pursue more than two continuation applications, he must file a petition "showing that the amendment, argument, or evidence sought to be entered could not have been submitted during the prosecution of the prior-filed application." 37 C.F.R. § 1.78(d)(1)(vi). If the applicant cannot make the requisite showing, the PTO will accept the application for examination but will "refuse

to enter, or will delete if present, any specific reference to a prior-filed application." *Id.* § 1.78(d)(1). The effect of this is to remove the application from the scope of 35 U.S.C. § 120, which would otherwise entitle the application to the filing date of the prior-filed application. Final Rule 114 provides for similar treatment of RCEs. Under the rule, an applicant is allowed one RCE as a matter of right. 37 C.F.R. § 1.114(f). For each additional RCE, the applicant must file a petition "showing that the amendment, argument, or evidence sought to be entered could not have been submitted prior to the close of prosecution in the application." *Id.* § 1.114(g). The limitation on RCEs is applied on the basis of application families rather than individual applications. *Id.* § 1.114(f).

The two other rules, Final Rules 75 and 265, were intended to address the PTO's difficulty in examining applications that contain a large number of claims. Final Rule 75 requires an applicant who submits either more than five independent claims or twenty-five total claims to provide the examiner with information in an examination support document ("ESD"). 37 C.F.R. § 1.75(b)(1). The requirements for ESDs are set forth in Final Rule 265. To comply with Final Rule 265, an applicant must conduct a preexamination prior art search, provide a list of the most relevant references, identify which limitations are disclosed by each reference, explain how each independent claim is patentable over the references, and show where in the specification each limitation is disclosed in accordance with 35 U.S.C. § 112, ¶ 1. 37 C.F.R. § 1.265(a).

Shortly after the Final Rules were published in the Federal Register, Triantafyllos Tafas, Smithkline Beecham Corporation, and Glaxo Group Limited (collectively "Tafas") filed suit against the PTO. The district court preliminarily enjoined enforcement of the Final Rules. *Tafas v. Dudas*, 511 F. Supp. 2d 652 (E.D. Va. 2007). Tafas moved for SJ that the Final Rules are invalid and sought a permanent injunction against their enforcement, alleging that the Final Rules were impermissibly substantive, inconsistent with law, arbitrary and capricious, incomprehensibly vague, impermissibly retroactive, and procedurally defective. The district court granted the motion for SJ, finding the Final Rules were "substantive

rules that change existing law and alter the rights of applicants such as [Tafas] under the Patent Act.” *Tafas v. Dudas*, 541 F. Supp. 2d 805, 814 (E.D. Va. 2008). The PTO appealed to the Federal Circuit.

On appeal, the Federal Circuit first addressed whether the PTO’s rulemaking authority is subject to a substantive/procedural distinction. The Court found that 35 U.S.C. § 2(b)(2) does not vest the PTO with any general substantive rulemaking power. “A substantive declaration with regard to the Commissioner’s interpretation of the patent statutes, whether it be section 101, 102, 103, 112 or other section, does not fall within the usual interpretation of [the language in section 6, the predecessor of § 2(b)(2)].” Slip op. at 7 (alteration in original) (quoting *Animal Legal Def. Fund v. Quigg*, 932 F.2d 920, 930 (Fed. Cir. 1991)). The Court concluded that the decision of Congress to replace § 6(a) with § 2(b)(2), which contains the same grant of authority to regulate “the conduct of proceedings in the Office,” is indicative that Congress did not intend to give the PTO substantive rulemaking authority, and further, that Congress is presumed to be aware of an administrative or judicial interpretation of a statute and to adopt that interpretation when it re-enacts a statute without change.

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“We do not believe that requiring applicants to raise all then-available amendments, arguments, and evidence by the second continuation application or the first RCE is so significant a burden that applicants will be effectively foreclosed from obtaining the patent rights to which they are entitled.” Slip op. at 15.

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The Court next turned to whether the PTO’s interpretations of statutes pertaining to the PTO’s delegated authority are entitled to *Chevron* deference. The Court concluded that the PTO’s interpretations of statutes that pertain to the PTO’s delegated authority, i.e., procedural rules promulgated under § 2(b)(2) or § 132(b), are entitled to *Chevron* deference. Therefore, when

reviewing rules within the PTO’s delegated authority, the Court held that it would give *Chevron* deference to the PTO’s interpretation of statutory provisions that relate to the exercise of delegated authority.

The Federal Circuit then turned to whether the Final Rules were substantive or procedural in nature. While the Court did not purport to set forth a definitive rule for distinguishing between substance and procedure, it concluded that the Final Rules challenged here are procedural, finding, in essence, that they governed the timing of and materials that must be submitted with patent applications. The Court held that although the Final Rules may “alter the manner in which the parties present . . . their viewpoints” to the PTO, they do not, on their face, “foreclose effective opportunity” to present patent applications for examination. *Id.* at 14 (alteration in original).

Applying this rationale to Final Rules 78 and 114, the Court stated that it “[did] not believe that requiring applicants to raise all then-available amendments, arguments, and evidence by the second continuation application or the first RCE is so significant a burden that applicants will be effectively foreclosed from obtaining the patent rights to which they are entitled.” *Id.* at 15. Moreover, although the PTO published responses to questions raised during the notice and comment proceedings indicating that the PTO intends to deny additional applications in almost all circumstances, the Court declined to rely on these responses. The Court noted that the responses were not binding on the courts, which will be free to review the PTO’s application of the Final Rules under the standard set forth in 5 U.S.C. § 706.

With respect to the ESD requirement of Final Rules 75 and 265, the Court noted that once a satisfactory ESD is submitted, examination will proceed in precisely the same manner as it would have in the absence of the rule. While the rule may put a burden of production on the applicant, the examiner maintains the burden of persuasion. The Court found that a procedural rule does not become substantive simply because it requires the applicant to exert more effort to comply, so long as the effort required is not so great that it effectively forecloses the possibility of compliance. In response to arguments that compliance with the

ESD requirement is both impossible in requiring a worldwide search of prior art without regard to scope, time, or cost, the Court found that Final Rule 265 only requires applicants to conduct a reasonable, cost-effective search. Moreover, to the extent the PTO applies the rules in a way that makes compliance essentially impossible, judicial review will be available under § 706.

The Court regarded as “too speculative” the proposition that even the most diligently prepared ESD will inevitably open an applicant to inequitable conduct allegations, entailing costly litigation and a possible finding of unenforceability. The Court declined to decide that an otherwise valid PTO rule that requires applicants to provide information is void because the Court might in the future apply the inequitable conduct doctrine in such a way that honest applicants who comply in good faith will nevertheless lose their patent rights. In response to the argument that ESDs will decrease the value of patent rights because the statements therein will limit claim scope through prosecution history estoppel, the Court held that it did not believe applicants have a right to remain silent throughout prosecution in order to maximize their advantage in later litigation.

Having found the Final Rules to be procedural, the Federal Circuit next turned to their consistency with the Patent Act. Agreeing with the district court, although on narrower grounds, the Federal Circuit held that Final Rule 78 was inconsistent with the statutory mandate that qualifying applications “shall have” the benefit of the priority date of the initial application as set forth in § 120. The Court found that the use of “shall” indicates the requirements are exclusive, and that all applications that meet these requirements must receive the benefit provided by § 120. The Court therefore concluded that Rule 78 was invalid as it attempted to add an additional requirement that the application not contain amendments, arguments, or evidence that could have been submitted earlier.

Overtaking the district court’s decision, the Federal Circuit found Final Rule 114 valid and not in conflict with the Patent Act. The Court found that § 132, which uses the singular form of “application,” did not unambiguously dictate that

the provisions be applied on a per application basis. The Court therefore concluded that Final Rule 114 can properly be applied on a per family basis. Further, the Court found § 132(b)’s mandate that “[t]he director shall prescribe regulations to provide for the continued examination of applications for [a] patent at the request of the applicant” not to unambiguously require the PTO to grant unlimited RCEs. The Court therefore deferred to the PTO’s interpretation of § 132(b). Section 132(a) requires the PTO to continue examination if “the applicant persists in his claim for a patent.” The PTO argued that subsection (a) provides for the “reexamination” of an application at the applicant’s request after the initial examination provided in § 131, and in contrast, “continued examination” under subsection (b) occurs after the reexamination provided for in subsection (a) is complete. The Federal Circuit found the PTO’s explanation distinguishing § 132(a) and § 132(b) “reasonable,” and therefore deferred to the PTO’s interpretation that § 132(a) does not require it to grant unlimited RCEs. The Court found that under these interpretations, Final Rule 114 did not conflict with § 132.

The Federal Circuit also held Final Rules 75 and 265 valid, and not in conflict with the Patent Act or the Court’s precedent holding that applicants have no duty to search the prior art. The Court noted that the rule simply required an ESD be submitted if more than five independent or twenty-five total claims were included in certain sets of copending applications. The Court reasoned that because it could not conclude that Final Rules 75 and 265, on their face, effectively foreclosed applicants from successfully submitting ESDs, it could not conclude that these rules place an absolute limit on claim numbers in violation of § 112, ¶ 2. In response to Tafas’s argument that the Final Rules are inconsistent with the Court’s inequitable conduct cases, the Court found that there was no persuasive reason to prohibit the PTO from requesting the information required by Final Rule 265. Finally, agreeing with the district court that the PTO bears the initial burden of proving unpatentability, the Court disagreed that the ESD requirement shifts that burden. The Court found that while creating an additional procedural step for the submission of applications, the ESD requirement did not alter the ultimate burdens of the examiner or applicant during examination.



Accordingly, the court concluded that Final Rules 75, 78, 114, and 265 are procedural rules that are within the scope of the PTO's rulemaking authority. Further, the Court concluded that Final Rule 78 conflicts with 35 U.S.C. § 120 and thus affirmed the district court's grant of SJ that Final Rule 78 is invalid. The Court also vacated its grant of SJ with respect to Final Rules 75, 114, and 265, and remanded for further proceedings consistent with its opinion. The Court expressly declined to address the following issues: whether any of the Final Rules, either on their face or as applied in any specific circumstances, are arbitrary and capricious; whether any of the Final Rules conflict with the Patent Act in ways not specifically addressed in the Court's opinion; whether all PTO rulemaking is subject to notice and comment rulemaking under 5 U.S.C. § 553; whether any of the Final Rules are impermissibly vague; and whether the Final Rules are impermissibly retroactive.

In a concurring opinion, Judge Bryson agreed with the majority that the regulations in this case are of the type that Congress authorized in § 2(b). Judge Bryson likewise concluded that the issue here comes down to whether the challenged regulations are consistent with other provisions of the Patent Act. Agreeing that Final Rule 78 is invalid for the reasons given by the majority, Judge Bryson noted the narrow scope of the Court's decision. The Court held that Final Rule 78 is invalid because it limits the number of continuation applications that may be filed and applies that limit even if all of the continuation applications are filed while the first application is still pending. In Judge Bryson's view, while that is a sufficient reason to invalidate Final Rule 78, it does not answer the question as to whether the rule is invalid as applied to serial continuances, i.e., a series of continuances in which each was copending with its immediate predecessor, but in which only the second in the series was copending with the first application.

Under current law, all continuances in such a series, if they satisfy the other requirements of § 120, are deemed to have the same effective date as the first application. In Judge Bryson's view, Rule 78 would change that practice. As to serial continuances, § 120 provides that an application for continued prosecution is entitled

to the benefit of an earlier priority date when it is copending with "an application similarly entitled to the benefit of the filing date of the first application." That portion of § 120 has been understood to confer upon patent applicants the right to file any number of successive continuation applications after the first application has been abandoned or issued as a patent. Judge Bryson found that it would not be unreasonable to construe the phrase "an application similarly entitled" to mean an application that satisfies all the preceding requirements set forth in § 120, including the requirement of copendency with the initial application. Judge Bryson noted that the question remains open as to whether a revised rule that addressed only serial continuances and limited such continuances to only two—the first copending with the original application and the second copending with the first—would be struck down as reflecting an impermissible interpretation of § 120.

In a dissenting opinion, Judge Rader agreed with the majority's ultimate conclusion regarding Final Rule 78, but disagreed with the majority's decision with respect to Final Rules 75, 114, and 265. In Judge Rader's view, the Final Rules are substantive, not procedural, and thus, the PTO exceeded its statutory rulemaking authority in promulgating these rules. According to Judge Rader, this case asks the Court to ensure that the PTO has not exceeded its rulemaking authority, and it therefore makes no sense to classify a rule as "procedural" or "interpretative," as either of those labels would lead to the same conclusion that the rule is nonsubstantive.

To Judge Rader, a case-by-case question of degree must guide the assessment of the substantive nature of the PTO's Final Rules. He stated that the Final Rules are not incidental inconveniences of complying with an enforcement scheme, but rather are substantive rules that "affect individual rights and obligations, and mark a startling change in existing law and patent policy." Rader Dissent at 7.

Judge Rader then considered each rule. He agreed with the majority's ultimate conclusion with respect to Final Rule 78, finding that the rule contravenes the language of § 120. In Judge Rader's view, the majority opinion ignored that

the “substantive effect” of failing to meet this new petition and showing obligation—the loss of priority date—is “sufficiently grave” to make this rule substantive. Likewise, Judge Rader found the impact and reach of Final Rule 114 would significantly affect patent prosecution. Because they require more than adherence to existing law, Judge Rader stated Final Rules 78 and 114 are substantive.

With respect to Final Rule 75, Judge Rader found this rule alters obligations under 35 U.S.C. §§ 102, 103, 112, and 131. In Judge Rader’s view, placing a mechanical cap on the number of claims in an application hinders an applicant’s right and obligation to particularly point out and distinctly claim the subject matter that the applicant regards as his invention. Judge Rader stated that “limiting an applicant to five independent claims ignores the varying scopes and methods of claiming inventions across different technologies.” *Id.* He further noted that an inventor’s incentive to disclose is commensurate with the protection available, and Final Rule 75 frustrates the quid pro quo contemplated by the Patent Act.

Finally, regarding Final Rule 265, Judge Rader found the ESD requirement improperly shifts the burden of proving patentability onto the applicant in direct conflict with the Court’s interpretation of § 102. Judge Rader noted that although the Court has upheld the PTO’s authority to request such information as may be reasonably necessary to properly examine or treat the matter, this requirement relates to information that is already in the applicant’s possession; it does not impose an affirmative duty to perform a prior art search or opine regarding patentability over the closest reference. In Judge Rader’s view, Final Rule 265 shifts the burden of proving patentability onto the applicant, and this shift significantly alters practice before the PTO, representing a change in existing law or policy. Finding the satisfaction of the ESD requirement to require more than adherence to existing law and amounting to more than the incidental inconveniences of complying with an enforcement scheme, Judge Rader concluded that Final Rule 265 was substantive.

## Withholding Relevant Test Results of an Accused Product Is Sanctionable Misconduct

Wendy Anna Herby

**Judges: Newman (concurring-in-part and dissenting-in-part), Schall (author), Dyk**

**[Appealed from E.D. Tex., Judge Davis]**

In *ClearValue, Inc. v. Waggett*, Nos. 07-1487, 08-1176 (Fed. Cir. Mar. 24, 2009), the Federal Circuit affirmed the district court’s decision to impose sanctions on appellants and affirmed the district court’s award of attorneys’ fees under Fed. R. Civ. P. 26 and 37 as to appellants, but reversed the sanction as to their attorney. The Federal Circuit also reversed the district court’s order striking appellants’ pleadings under Rule 37 and the court’s inherent powers. In addition, the Court reversed the district court’s entries of judgment in favor of appellees and appellees’ counterclaims, reversed the district court’s award of attorney’s fees and costs under the court’s inherent powers and under 35 U.S.C. § 285, and reversed the award of costs under 28 U.S.C. § 1920. The case was remanded for further proceedings.

The patent-at-issue, U.S. Patent No. 6,120,690 (“the ‘690 patent”), relates to a process for clarifying wastewaters by using aluminum salts and/or aluminum polymers and newly formulated high molecular weight quaternized polymers. In particular, the patent claims required a “high molecular weight di-allyl di-methyl ammonium chloride (DADMAC) having a molecular weight of at least approximately 1,000,000.” Slip op. at 4 (emphasis omitted).

ClearValue, Inc. (“ClearValue”) and Richard Alan Haase (the sole inventor of the ‘690 patent) filed suit against Pearl River Polymers, Inc. (“Pearl River”) and others for infringement and misappropriation of trade secrets. A critical issue in the case was whether Pearl River’s DADMACs had molecular weights over one million and thus fell within the scope of the claims

of the '690 patent. The district court issued a discovery order requiring the parties to provide all documents and reports that had been provided to or reviewed by the expert in anticipation of litigation.

During discovery, Pearl River requested that ClearValue and Haase provide the results of any molecular weight testing they had conducted on Pearl River's DADMAC products. ClearValue and Haase objected to the discovery requests on various grounds and did not produce any documents relating to testing. During the jury trial, however, it became evident that ClearValue and Haase had in fact performed tests on Pearl River's products. Two different tests revealed that samples of Pearl River's products had molecular weights substantially below the one million limitation of the '690 patent. None of the test results were produced to Pearl River.

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**"The Fifth Circuit . . . has characterized dismissal as a 'remedy of last resort' and a 'draconian' measure, noting dismissal has due process implications." Slip op. at 28.**

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The district court held a sanctions hearing and considered testimony from Haase, Jim Stoll (ClearValue's expert), and Gordon Waggett (ClearValue's attorney). At the hearing, the district court examined additional e-mails relating to the testing of the accused products. Both Haase and Stoll attempted to explain the failure to provide the test results, claiming they believed the tests were irrelevant because they were performed only to determine if an additive had caused a water treatment plant in Arkansas to malfunction. Attorney Waggett also claimed he had "a total disconnect" with respect to the testing, he was sorry for not producing the test results, and he now appreciated that he was obviously wrong. The district court found itself confronted with "an extremely troubling matter" as the withheld test results were relevant to a critical issue in the case and were withheld for over a year and a half. The district court imposed the "ultimate sanction"

of striking ClearValue and Haase's pleadings, entering judgment for appellees, and imposing monetary sanctions against ClearValue, Haase, and Waggett, jointly and severally, in the amount of \$2,717,098.34.

The Federal Circuit first considered the district courts imposition of sanctions under Rules 26 and 37, and affirmed its finding of sanctionable conduct. The Federal Circuit noted that Rule 26 imposes on parties an affirmative obligation to disclose in discovery information "considered by testifying experts" and that Rule 37 gives a court authority to impose sanctions if a party fails to make a disclosure required by Rule 26(a). ClearValue, Haase, and Waggett argued that the decision to withhold the test results was not sanctionable because the results were not considered by expert Stoll in forming his opinions, and therefore neither Rule 26 nor the discovery order compelled disclosure of the testing. Specifically, they argued that Stoll had not been designated as an expert for purposes of infringement liability at the time of the testing and that Stoll had forgotten about the tests before giving his opinion. Since the results were not considered by expert Stoll, appellants reasoned that they must have been privileged and were properly withheld. Applying Fifth Circuit law, the Federal Circuit rejected these arguments, noting that there was more than ample support for the finding that appellants engaged in unjustified and sanctionable conduct. Furthermore, the district court did not err in finding the failure to disclose was not "harmless."

The Federal Circuit next considered the district court's award of attorney's fees under Rule 37 and found no abuse of discretion in the award as to ClearValue and Haase. Appellees submitted affidavits as to the reasonableness of the attorney's fees they incurred. Although the relatively sparse monthly breakdown of fees by attorney and claim were on the "lower end of the spectrum as to acceptable documentation," the affidavits were nonetheless sufficient under Fifth Circuit precedent. *Id.* at 24.

The Federal Circuit did find, however, that the district court abused its discretion by imposing joint and several liability on Waggett under Rule 37. Specifically, the district court erred by failing to consider that Waggett did not have

the ability to pay when it fashioned the sanction against him as required by the Fifth Circuit. Since the monetary award of \$121,107.38 was four times Waggett's reported annual net income, the district court found Waggett did not have the ability to pay and reversed the award of joint and several liability.

Next, the Federal Circuit held that the district court abused its discretion in striking ClearValue and Haase's pleadings and entering judgment in favor of appellees. The Federal Circuit acknowledged that Rule 37 allows a court to strike pleadings and dismiss an action in whole or in part for discovery violations, but that the Fifth Circuit considers dismissal as a "remedy of last resort" and a "draconian" measure. *Id.* at 28. The Federal Circuit compared ClearValue, Haase, and Waggett's discovery misconduct with the misconduct in two Fifth Circuit cases, where the sanction of dismissal was reversed. The Federal Circuit stated that although ClearValue, Haase, and Waggett's discovery misconduct was sanctionable, it was less egregious than discovery violations in those cases and therefore did not warrant the sanction of dismissal.

The Federal Circuit then addressed the district court's reliance on its inherent powers in striking ClearValue and Haase's pleadings, entering judgment against appellants, and awarding additional attorney's fees and costs. The Federal Circuit agreed with appellants that the district court should only resort to its inherent powers when "an applicable rule or statute cannot fulfill the purpose of the sanctioning authority." *Id.* at 31. The Federal Circuit explained that appellants' misconduct was a discovery violation that was properly addressed under Rule 37. Thus, the district court abused its discretion by resorting to its inherent powers to impose sanctions on appellants.

Lastly, the Federal Circuit reversed the district court's award of attorney's fees under 35 U.S.C. § 285 and its award of costs under 28 U.S.C. § 1920. Both § 285 and § 1920 have a "prevailing party" requirement. Because the Federal Circuit reversed the district court's striking of ClearValue and Haase's pleadings and its entries of judgment in favor of appellees, the appellees were no longer a prevailing party and not entitled to the awards.

In a separate opinion, Judge Newman concurred-in-part and dissented-in-part. Judge Newman agreed that the district court abused its discretion in failing to consider Waggett's ability to pay when fashioning the sanction against him, but disagreed that Waggett should be exonerated based solely on his inability to pay. Specifically, Judge Newman explained that Waggett's plea of hardship was raised in the context of the district court's award of \$2,717,098, but the Federal Circuit reduced the total award to \$121,107, less than one twentieth of the original amount. Judge Newman dissented from the panel's exoneration of the attorney from the monetary consequences of his admittedly improper actions and recommended that the matter be remanded to the district court.

## Studies Continuing Beyond Filing of Patent Application Cannot Constitute Experimental Use

*Christine M. Hlavka*

**Judges: Bryson, Dyk (author), Patel (District Judge sitting by designation)**

**[Appealed from S.D. Tex., Judge Gilmore]**

In *Clock Spring, L.P. v. Wrapmaster, Inc.*, No. 08-1332 (Fed. Cir. Mar. 25, 2009), the Federal Circuit affirmed a district court's grant of SJ of invalidity and the district court's SJ finding that a false advertising claim was without merit.

Clock Spring, L.P. ("Clock Spring"), a high-pressure gas pipeline repair company, is the exclusive licensee of U.S. Patent No. 5,632,307 ("the '307 patent"), directed to methods for repairing damaged high-pressure gas pipes. The claimed repair method includes filling pipe defects with a filler material and then wrapping the pipe with a high tensile strength material. Its main distinctive feature over the prior art is that wrapping of the damaged pipe occurs while the filler material is in an uncured state so as to ensure smooth and continuous contact between the wrap and the pipe.

In 2005, Clock Spring filed an infringement suit against Wrapmaster, Inc. ("Wrapmaster") alleging infringement of all claims of the '307 patent.



It also filed a separate Lanham Act suit alleging that Wrapmaster engaged in false advertising. The two cases were consolidated. Following discovery, Wrapmaster filed an SJ motion of invalidity of all claims of the '307 patent and an SJ motion on the Lanham Act claim. Both motions were referred to a magistrate judge.

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**“[T]here is no experimental use unless claimed features or overall workability are being tested for purposes of the filing of a patent application.” Slip op. at 13.**

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In the invalidity SJ motion, Wrapmaster argued that the claims were invalid due to obviousness over a number of prior art patents and due to an alleged prior public use under 35 U.S.C. § 102(b). Rejecting Clock Spring's argument that a 1989 demonstration by named inventor Norman C. Fawley was experimental, the magistrate judge recommended that the 1989 demonstration triggered the public use bar. The magistrate judge also recommended that the claims were invalid due to obviousness over the prior art. The district court rejected the magistrate judge's recommendation concerning the public use bar, finding that additional reports submitted by Clock Spring raised a genuine issue of material fact regarding its experimental use claim. The district court agreed with the magistrate judge as to obviousness, however, and granted SJ of invalidity on that basis.

As to the Lanham Act SJ motion, the magistrate judge found that Clock Spring had failed to provide any evidence that two statements Wrapmaster made about its own pipe wrap product resulted in actual consumer deception or were materially misleading. The district court agreed, granting SJ in favor of Wrapmaster. Clock Spring timely appealed.

On appeal, the Federal Circuit evaluated the 1989 demonstration as a possible prior public use bar. Noting that representatives of several domestic gas transmission companies attended the demonstration without any obligation of confidentiality, the Federal Circuit concluded that the 1989 demonstration was indisputably

public. Slip op. at 9. Next, the Federal Circuit considered Clock Spring's assertion that the 1989 demonstration did not encompass three claim limitations, namely: (1) that "at least one cavity" be involved; (2) that "filler material" be used to fill the "cavity"; and (3) that the pipe be wrapped while the filler material was in an "uncured state." Pointing out that "the public use bar applies to obvious variants of the demonstrated public use," the Court held that Clock Spring's argument regarding the three claim limitations was without merit, as the 1989 demonstration involved filling "pinhole areas of corrosion" with filler compound, and the conditions under which the demonstration occurred indicated that the filler was in an uncured state. *Id.* at 10-11.

Moving to address Clock Spring's alternative assertion that the 1989 demonstration was an experimental use, the Federal Circuit emphasized that "there is no experimental use unless claimed features or overall workability are being tested for purposes of the filing of a patent application." *Id.* at 13. In this case, Clock Spring argued that the 1989 demonstration was designed to determine the durability of the repair method, not to refine the claim limitations. Nevertheless, the Federal Circuit rejected Clock Spring's argument. First, the Court observed that no report of the 1989 demonstration in any way suggested that the demonstration was designed to test durability. Rather, the Federal Circuit observed that the reports clearly stated that the durability testing was for "acceptance by regulators and the pipeline industry." *Id.* at 15. Second, the 1989 demonstration involved burial of the repaired pipe underground. The buried pipe was not dug up and examined until nearly a year after the patent application was filed. The Court found that by filing the patent application, the inventors represented that the invention was ready for patenting and, as a result, "studies done thereafter cannot justify an earlier delay in filing the application under the rubric of experimental use." *Id.* Accordingly, as the 1989 demonstration encompassed all elements of claim 1 of the '307 patent and was not for experimental purposes, the Federal Circuit held claim 1 invalid due to prior public use. In light of its finding of invalidity due to prior public use, the Court did not reach the obviousness question.

The Court next addressed the district court's grant of SJ on Clock Spring's Lanham Act false

advertising claim. Abandoning its assertion that the two Wrapmaster statements were materially misleading, Clock Spring only argued on appeal that SJ was inappropriate because genuine issues of material fact existed as to whether two statements made by Wrapmaster about its products were literally false. In support of its claim that Wrapmaster's statements were literally false, Clock Spring relied on an expert report and declaration. The Federal Circuit noted, however, that the expert report and declaration failed to address the subject matter of the first Wrapmaster statement, and were based on a review of old Wrapmaster products prior to redesign. Clock Spring thus presented no evidence that the two Wrapmaster statements about its current products were literally false. Accordingly, the Court affirmed the district court's grant of SJ.

## A Reference That Lists Every Fifteen-Base Sense Oligodeoxynucleotide in a Known Nucleic Acid Sequence Anticipates Claims to Specific Antisense Sequences Having Particular Properties

*Elisabeth Jaffe Berek*

**Judges: Michel, Prost (author), Moore**

**[Appealed from the Board]**

In *In re Gleave*, No. 08-1453 (Fed. Cir. Mar. 26, 2009), the Federal Circuit affirmed the Board's rejection of specific claims of a patent application under 35 U.S.C. § 102(b).

The patent application at issue, U.S. Patent Application No. 10/346,493 ("the '493 application"), filed by Martin Gleave and Maxim Signaevsky (collectively "Gleave"), was directed to an antisense oligodeoxynucleotide, which can simultaneously bind to and prevent the translation of mRNA into two types of human Insulin-Dependent Growth Factor Binding Protein ("IGFBP"), methods of making pharmaceutical compounds containing the oligodeoxynucleotides,

and methods of treating endocrine-regulated cancers by using the oligodeoxynucleotides to prevent the formation of IGFBP-2 and IGFBP-5.

The examiner rejected claims 1, 4, 15, and 18-21, all of which were composition claims directed to antisense oligodeoxynucleotides, as indefinite under 35 U.S.C. § 112, ¶ 2, and as anticipated or obvious under 35 U.S.C. §§ 102(b) and 103(a). The claims were rejected over the published PCT application 00/78341 of Wraight et al. ("Wraight"). In Wraight, the applicants listed every fifteen-base sense oligodeoxynucleotide in the IGFBP-2 gene. The list included more than 1400 sequences.

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"A thorough reading of our case law . . . makes clear that a reference need disclose no independent use or utility to anticipate a claim under § 102." Slip op. at 6.

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The Board reversed the examiner's § 112, ¶ 2 rejection and affirmed the § 102(b)/103(a) rejections. Gleave appealed the § 102/103 rejections. The issue presented on appeal was whether a reference that lists every fifteen-base sense oligodeoxynucleotide in a known nucleic acid sequence anticipates or renders obvious claims to specific antisense sequences having particular properties. Gleave argued that Wraight did not describe any particular antisense species because Wraight merely listed the oligodeoxynucleotide sequences without inventive thought, without guidance to make particular selections, and without understanding of which of the targets would be useful.

The Federal Circuit first noted that a reference need not disclose independent use or utility to anticipate a claim under § 102. The Federal Circuit made clear that where a method claim was at issue, the "make" requirement becomes, in effect, a "use" requirement; the only way one can show that a reference enables the method is to show that a person of ordinary skill would know how to use the method in light of the reference. This did not mean, however, that the prior art reference must demonstrate the invention's utility.

Because Gleave's claims were to compositions of matter—oligonucleotides—a reference satisfied the enablement requirement of § 102(b) by showing that one of skill in the art would know how to make the relevant sequences disclosed in Wraight. Gleave admitted that it was within the skill of an ordinary person in the art to make any oligodeoxynucleotide sequence, and as such, Wraight was an enabling disclosure.

The Federal Circuit next addressed Gleave's policy argument that where there is no basis in the art for selecting some individual members of the listing over others, what is actually described and what is actually disclosed to the public is no more than the generic concept underlying the list. The Court distinguished *In re Wiggins*, 488 F.2d 538 (C.C.P.A. 1973), saying in that case, no evidence existed that a person of ordinary skill in the art could make the compounds disclosed in the allegedly anticipatory reference at the time of disclosure. The Court read *Wiggins* as standing for the proposition that the mere naming of a theoretical compound, without more, cannot constitute a description under § 102(b).

Finally, the Court addressed Gleave's argument that Wraight did not show that sequences antisense to any of the sequences in the application were actually made and tried. Citing *In re Donohue*, 766 F.2d 531 (Fed. Cir. 1985), the Court again made clear that it was not necessary that an invention disclosed in a publication have actually been made in order to satisfy the enablement requirement.

The Court stated that the discovery of a new property or use of a previously known composition cannot impart patentability to claims to the known composition. If the use is new, Gleave could patent the method of use of the compound but not the previously discovered compound itself. The Court therefore affirmed the Board's rejection of claims 1, 4, 15, and 18-21 of the '493 application under § 102(b). The Court did not address the § 103 obviousness rejection.

## Federal Circuit Upholds TTAB's Trademark Registration Cancellation for Lack of Use

Dana M. Nicoletti

**Judges: Newman (dissenting), Linn, O'Grady (District Judge sitting by designation; author)**

### [Appealed from TTAB]

In *Aycock Engineering, Inc. v. Airflite, Inc.*, No. 08-1154 (Fed. Cir. Mar. 30, 2009), the Federal Circuit held that the TTAB correctly found Respondent-Appellant Aycock Engineering, Inc.'s ("Aycock Engineering") service mark void for failure to meet the Lanham Act's "use in commerce" requirement.

Aycock Engineering was formed in mid-1960 by William Aycock to arrange charter flight seats for individual airline passengers. At the time Mr. Aycock began planning his service, air taxi companies leased entire airplanes rather than individual seats, so solo passengers faced more difficulty and financial expense in finding a charter flight. Mr. Aycock planned to advertise his service, which he named AIRFLITE, by providing a toll-free telephone reservations number. After a customer called the service, Mr. Aycock would then serve as a middleman between the customer and the air taxi service operators to arrange for the customer's flight. In March 1970, Mr. Aycock invited all FAA-certified air taxi operators to join his operation by distributing fliers with in-depth information about AIRFLITE and its services. On August 10, 1970, Mr. Aycock filed a service mark application for the term AIRFLITE.

Mr. Aycock stated that he believed he needed to contract with at least 300 air taxi operators before the service could become operational. But Mr. Aycock entered into contracts with no more than twelve air taxi service operators throughout the company's history. Despite these contracts, the record did not suggest that Mr. Aycock ever gave the public an opportunity to use the toll-free phone numbers to book reservations, that he ever

spoke with a member of the general public about making a reservation, or that he ever arranged for a single passenger to fly on a chartered flight.

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“The language of the statute, by requiring that the mark be ‘used or displayed in the sale or advertising of services, and the services are rendered in commerce,’ makes plain that advertisement and actual use of the mark in commerce are required; mere preparations to use that mark sometime in the future will not do.” Slip op. at 15.

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Mr. Aycock’s AIRFLITE mark was registered on the Supplemental Register on April 30, 1974, after a lengthy prosecution. During the prosecution period, Mr. Aycock and the trademark examining attorney finally agreed on a recitation of services of “[a]rranging for individual reservations for flights on airplanes” for the AIRFLITE service mark. The AIRFLITE mark was renewed in April 1994.

Petitioner-Appellee Airflite, Inc. (“Airflite”) filed a petition for cancellation in 2001, alleging that Aycock Engineering did not use the AIRFLITE mark prior to registration for the services identified in its registration. The TTAB agreed with Airflite and canceled the AIRFLITE registration, finding that Aycock Engineering failed to render in commerce the service described in its registration.

On appeal, the Federal Circuit examined the issue of whether Aycock Engineering’s use of its AIRFLITE mark satisfied the Lanham Act’s requirement for use in commerce. As a prerequisite for deciding the use requirement issue, the Court agreed with the TTAB that the service described in Mr. Aycock’s registration was arranging for the transportation of a person to his destination or providing a communication service between a person desiring custom air travel and an air taxi operator, and that this entails more than the arranging of the network of air taxi operators.

The Federal Circuit held that Aycock Engineering did not meet the Lanham Act’s “use in commerce”

requirement by using its service mark in the preparatory stages of development but never offering the service to the public. The Court began by analyzing section 45 of the Lanham Act, which discusses the “use in commerce” requirement. The Court noted that different statutory requirements apply to applications filed after November 16, 1989, the effective date of the Trademark Law Revision Act of 1988 (“TLRA”). The TLRA altered the burden that applicants must meet by requiring that an applicant make a “bona fide use of [the] mark in the ordinary course of trade,” in order to prevent applicants from acquiring registrations based on mere “token uses” of a mark without legitimate use in commerce. Slip op. at 10. Because Aycock Engineering’s application for AIRFLITE was filed in 1970, the case must be decided according to the pre-1989 version of the Lanham Act. However, the Court noted that because the language of the service mark use requirement was “materially identical” in both versions, its holding also applies to the current, post-1989 service mark use requirement.

The Court held that an applicant’s preparations to use a mark in commerce are insufficient to constitute use in commerce. Advertising or publicizing a service that the applicant intends to perform in the future will not support registration, and there must be an “open and notorious” public offering of the services to those whom the services are intended in order for an applicant to meet the use requirement. The language of the statute, by requiring that the mark be “used or displayed in the sale or advertising of services, and the services are rendered in commerce,” makes it clear that mere preparations to use a mark sometime in the future are insufficient and that advertisement and actual use of the mark in commerce are required for registration.

The Court examined Aycock Engineering’s use of the AIRFLITE mark under this standard and found substantial evidence to support the conclusion that it failed to offer its service to the public because he never gave anyone an opportunity to use his AIRFLITE service to make a charter flight reservation. Instead, the Court found that Mr. Aycock merely took sporadic steps in preparing to offer his services to the public. These activities, even taken together, did not constitute a service that falls within the defined recitation of services for the AIRFLITE registration. Finally, the Court observed that although Aycock Engineering’s



application for AIRFLITE was filed before the 1989 TLRA's prohibition on mere token use of a mark, Mr. Aycock did not argue, and the facts did not show, that he ever attempted to make a token use of the AIRFLITE service.

In a dissenting opinion, Judge Newman stated that after thirty-five years of federal registration of the service mark without any objection or opposition to the registration, it is inappropriate for the PTO to criticize its own description of the services and invalidate the registration as void when granted. Judge Newman stated that the TTAB erred in interpreting the description as excluding the very services that were the basis of the registration. If there were a flaw in the registration, it should be clarified and corrected, not voided. To Judge Newman, cancellation of the long-standing registration was seriously flawed and unjust.

## The Mere Fact That a Document Is Distributed Without a Legal Obligation of Confidentiality Is Not in and of Itself Sufficient to Render the Document a "Printed Publication" Under 35 U.S.C. § 102(b)

Denise L. Poy

**Judges: Mayer, Dyk (author), Huff (District Judge sitting by designation)**

**[Appealed from D. Del., Judge Robinson]**

In *Cordis Corp. v. Boston Scientific Corp.*, Nos. 08-1003, -1072 (Fed. Cir. Mar. 31, 2009), the Federal Circuit affirmed the district court's denial of Boston Scientific Corporation's ("Boston Scientific") and Cordis Corporation's ("Cordis") motions for JMOL or, in the alternative, a new trial. The Federal Circuit also reversed the district court's dismissal without prejudice of Cordis's claims that Boston Scientific's Taxus Liberté stent infringed the asserted claims of U.S. Patent Nos. 4,739,762 ("the '762 patent") and 5,895,406 ("the '406 patent"), and remanded with instructions to dismiss those claims with prejudice.

The patents-in-suit generally relate to intravascular stents. Cordis sued Boston Scientific, alleging that several of Boston Scientific's stents infringed the '762 and '406 patents. Boston Scientific counterclaimed, alleging that several of Cordis's stents infringed U.S. Patent No. 5,922,021 ("the '021 patent"). A jury returned two separate verdicts of infringement: (1) Boston Scientific infringed claims 1 and 23 of the '762 patent and claim 2 of the '406 patent; and (2) Cordis infringed claim 36 of the '021 patent. The jury also found that the claims-at-issue were not invalid.

Regarding Cordis's claims, the Court affirmed the district court's construction of the "wherein" clause in claim 23 of the '021 patent. Claim 36, which Cordis was found to have infringed, depends from claim 23. Cordis argued that the same "wherein" clause appears in both claims 1 and 23 of the '021 patent, and that the "wherein" clause of claim 1 had been construed during prosecution to exclude 180-degree out-of-phase designs. Cordis's stent uses a 180-degree out-of-phase design. The Court, however, explained that claims 1 and 23 use different numbering systems so that, for example, the "first expansion strut of the second expansion strut pair in the second expansion column" is not the same strut in claim 23 as in claim 1. The Court then stated that the question is whether the prosecution history requires that, despite its plain language, the "wherein" clause of claim 23 be construed to use the same numbering system as claim 1. The Court found that this is not required. Cordis contended that the examiner used only the numbering system of claim 1 when allowing both claims 1 and 23, and that the examiner necessarily assumed that claim 23 used the same numbering system as claim 1. The Court stated that "the examiner did not say so, and we cannot simply suppose that the claims were allowed based on an assumed identity of numbering systems." Slip op. at 12. The Court also stated that the plain language of claim 23 cannot be overcome by unclear prosecution history, and that although no figure in the '021 patent illustrates a 180-degree out-of-phase design, a patent is not confined to its disclosed embodiments.

The Court also rejected Cordis's argument that the jury erred in concluding that the "corners" limitation of claim 36 was satisfied under the DOE. First, the Court stated that the district court properly found that Boston Scientific presented

sufficient expert testimony that Cordis's stent met the "corners" limitation under the DOE under the function-way-result test. Second, the Court rejected Cordis's argument that the jury's finding of infringement vitiated the "corners" limitation. The district court construed "corners" as "a place where two surfaces meet to form an angle." Cordis alleged that the circular arcs of its stent cannot "form an angle," as required in the district court's construction. The Court agreed that the circular arcs of Cordis's stent are equivalent to the "corners" in claim 36 and do not "render[] the pertinent limitation meaningless" or "effectively eliminate that element in its entirety." *Id.* at 15 (alteration in original) (citations omitted).

The Court then concluded that the district court properly declined after trial to adopt a new construction of certain terms in the claims of the '021 patent. The Court explained that Cordis raised this argument for the first time in its motion for JMOL more than a year after the jury's infringement verdict and therefore waived the right to present this argument.

The Court affirmed the district court's holding that claim 23 of the '021 patent is not indefinite. The Court found no basis for Cordis's argument that claim 23 is indefinite unless the "wherein" clause is construed to exclude 180-degree out-of-phase designs.

The Court rejected Cordis's argument that the jury erred in finding that claim 36 of the '021 patent was not invalid for obviousness. Cordis asserted that the '021 patent was not entitled to the priority date of its provisional application because the provisional application did not provide a sufficient written description of the patent's limitations, and that regardless of whether the '021 patent was entitled to the earlier priority date, there were several prior art patents that rendered claim 36 obvious. The Court explained that Boston Scientific presented uncontradicted expert testimony that the provisional application provided sufficient written description for claim 36 and that the prior art patents cited by Cordis would be unlikely to be combined to create the connectors of claim 36. Thus, the Court concluded that the jury could properly find that the '021 patent was entitled to the earlier priority date and that the district court properly concluded that there was substantial evidence that prior art patents cited by Cordis did not render claim 36 obvious.

Regarding Boston Scientific's claims, the Court affirmed the district court's finding that two monographs prepared by Dr. Palmaz, the inventor of Cordis's '762 patent, were not prior art printed publications under 35 U.S.C. § 102(b) and affirmed the district court's grant of SJ to Cordis that the claims of the '762 patent are not invalidated by the monographs. In 1980, Dr. Palmaz prepared a paper, referred to as the "1980 monograph." He gave copies to hospital colleagues and, pursuant to agreements, to two companies while attempting to commercialize his stent technology. Neither agreement required confidentiality. In 1983, Dr. Palmaz revised the paper, which became the "1983 monograph." He gave copies of both monographs to a technician from whom Dr. Palmaz was seeking fabrication assistance, and when he joined a university's faculty, he gave copies of the 1983 monograph to university colleagues and to the university for a research proposal. Dr. Palmaz applied for the '762 patent in 1985.

The Court stated that the question is "whether the distribution to a limited number of entities without a legal obligation of confidentiality renders the monographs printed publications under § 102(b)." *Id.* at 21. The Court noted that "[w]here professional and behavioral norms entitle a party to a reasonable expectation" that information will not be copied or further distributed, "we are more reluctant to find something a 'printed publication.'" *Id.* (alteration in original) (citation omitted). The Court concluded that the distribution to academic and research colleagues did not render the monographs prior art printed publications. The Court recognized the importance of "preserv[ing] the incentive for inventors to participate in academic presentations or discussions" by noting that professional norms may support expectations of confidentiality. *Id.* (alteration in original) (citation omitted). The Court found that the record contains clear evidence that such academic norms gave rise to an expectation that disclosures will remain confidential.

The Court also concluded that distribution to the two commercial entities did not render the monographs prior art printed publications. There was no claim that the two commercial entities provided any express agreement to keep the document confidential; one entity's agreement did not discuss the entity's confidentiality obligations, and the other entity's agreement specifically disclaimed such obligations. The Court, however,

found that there was sufficient evidence to support a conclusion that there was an expectation of confidentiality between Dr. Palmaz and each of the two commercial entities. The entities had kept their copies confidential, whether or not they were legally obligated to do so, and the district court noted that there was no evidence that the entities would have distributed, or in fact did distribute, the document outside of the company. There was also no showing that these or similar commercial entities had made similar documents in the past available to the public. “The mere fact that there was no legal obligation of confidentiality—all that was shown here—is not in and of itself sufficient to show that Dr. Palmaz’s expectation of confidentiality was not reasonable.” *Id.* at 23.

The Court affirmed the district court’s denial of Boston Scientific’s motion for JMOL that claim 2 of the ’406 patent is anticipated and invalid. The Court rejected Boston Scientific’s argument that the functional language following “such that” in the claim cannot operate as a claim limitation to distinguish the ’406 patent over the prior art. The Court stated that the jury could properly find that the “such that” claim language is a limitation that barred a finding of anticipation. The Court also rejected Boston Scientific’s argument that, even if the “such that” functional language limits claim 2 to stents “having axial flexibility,” as recited in the claim, the evidence demonstrated that the ’762 patent disclosed such axial flexibility. The Court affirmed the district court’s conclusion that there was sufficient evidence for the jury to find that the ’762 patent did not anticipate claim 2 of the ’406 patent.

The Court rejected Boston Scientific’s argument that their stents do not infringe claims 1 and 23 of the ’762 patent under the “thin-walled” limitation of these claims. First, the Court rejected Boston Scientific’s construction of the term “thin-walled” and concluded that the district court’s construction was proper. Second, the Court stated that the district court properly excluded Boston Scientific’s claim construction argument before the jury. Boston Scientific had sought to use the prosecution history of the ’762 patent to show that Cordis admitted that stents whose thicknesses were within a particular range were not “thin-walled.” The Court noted that it is improper to argue claim construction to the jury since the

risk of confusing the jury is high when experts opine on claim construction. Third, the Court stated that the district court properly found that Cordis presented substantial evidence to support the jury’s infringement verdict.

The Court rejected Boston Scientific’s argument that their stents do not infringe claims 1 and 23 of the ’762 patent under the “substantially parallel” limitation of these claims. The Court stated that since Boston Scientific did not timely raise the argument that the district court erred in not construing the term “parallel,” the argument was waived. The Court also stated that substantial evidence supported the jury’s verdict that Boston Scientific’s stent meets the “substantially parallel” limitation of the claims. The Court further stated that the district court’s exclusion of a portion of the inventor’s testimony was within its discretion. The Court explained that inventor testimony as to subjective intent is irrelevant to the issue of claim construction, and the inventor of the asserted patent also had no special expertise regarding the alleged patent infringement.

The Court rejected Boston Scientific’s argument that their stents do not infringe claim 2 of the ’406 patent. The Court stated that Boston Scientific did not timely raise, and thus waived, the argument that the district court erred in not construing the term “wave.” The Court also stated that substantial evidence supported the jury’s verdict that Boston Scientific’s stent meets the limitations of claim 2.

The Court reversed the district court’s dismissal without prejudice of Cordis’s claims that Boston Scientific’s Taxus Liberté stent infringed the asserted claims of the ’762 and ’406 patents, and remanded with instructions to dismiss the claims with prejudice. Cordis failed to prove that the Taxus Liberté stent had a nexus to the United States. The Court explained that the question of whether the Taxus Liberté stent had a nexus to the United States was an element of Cordis’s liability claims rather than a jurisdictional requirement. Because a failure to prove allegations in a complaint requires a decision on the merits, not a dismissal for lack of subject matter jurisdiction, the Court held that the district court’s dismissal of Cordis’s infringement claims regarding the Taxus Liberté stent should have been with prejudice.

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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 May 6 and 7, 2009, the Federal Circuit will hear arguments in two trademark appeals from decisions of the PTO's TTAB on the issue of fraud—*In re Bose Corp.*, No. 08-1448 (hearing May 6, 2009), and *Hualapai Tribe v. Grand Canyon West Ranch LLC*, No. 09-1012 (hearing May 7, 2009). The Court will review the TTAB's findings of fraud in the context of an applicant's representation to the PTO that a mark was in use in connection with a list of several goods or services, when that was not the case. The Court will also have the opportunity to consider whether the TTAB's standards for fraud are consistent with the elements of common law fraud set out by the Federal Circuit in prior rulings. Look for these decisions in the months ahead.