

Last Month at the Federal Circuit

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- On October 31, Judge Cacheris in the U.S. District Court for the Eastern District of Virginia preliminarily enjoined the scheduled November 1 enforcement of the new PTO rules relating to patent continuation applications and limitations on the numbers of claims that may be filed. *Tafas v. Dudas*, No. 1:07cv846 (E.D. Va. Oct. 31, 2007). In so ruling, Judge Cacheris found that there was a genuine possibility that GlaxoSmithKline (“GSK”) would prevail on the merits of its claim that the PTO exceeded its statutory rulemaking authority by promulgating substantive, rather than procedural, rules. Further, the district court found that GSK was likely to suffer irreparable harm absent an injunction, that the harm outweighed any harm to the PTO from delaying the rules’ enforcement, and that the public interest weighed in favor of an injunction until the district court could consider the validity of the rules after trial.
- In *In re Nuijten*, No. 06-1371 (Fed. Cir. Sept. 20, 2007), the Federal Circuit affirmed a rejection of claims directed to a “signal” as unpatentable subject matter outside the scope of 35 U.S.C. § 101. See the summary in this month’s issue.
- In *In re Comiskey*, No. 06-1286 (Fed. Cir. Sept. 20, 2007), the Federal Circuit held that claims reciting a business method can be patented only if the method involves another class of statutory subject matter, such as a computer. See the summary in this month’s issue.

Party Supplying ANDA Filer with Data May Be Enjoined Along with the Filer If They Will Be Joint Participants in Commercialization, but an Injunction May Not Extend Beyond the Product Described in the ANDA

Jessica H. Roark

Judges: Lourie (author), Friedman, Schall (concurring-in-part and dissenting-in-part)

[Appealed from D. Del., Judge Farnan]

In *Forest Laboratories, Inc. v. Ivax Pharmaceuticals, Inc.*, No. 07-1059 (Fed. Cir. Sept. 5, 2007), the Federal Circuit affirmed the district court’s entry of judgment with respect to the validity of U.S. Reissue Patent No. 34,712 (“the ’712 patent”) and its entry of an injunction as to both Ivax Pharmaceuticals, Inc. (“Ivax”) and Cipla, Ltd. (“Cipla”), but modified the injunction to apply only to the product described in the ANDA.

Forest Laboratories, Inc., Forest Laboratories Holding, Ltd., and H. Lundbeck A/S (collectively “Forest”) market Lexapro®, an antidepressant. Escitalopram oxalate (“EO”), the active ingredient

in that drug, is one of the compounds covered by the claims of the ’712 patent. Specifically, the ’712 patent is directed to a substantially pure (+)-enantiomer of citalopram (also referred to as “escitalopram”) and nontoxic acid addition salts thereof.

Ivax filed an ANDA for approval to market generic EO, certifying as part of the ANDA that the claims of the ’712 patent were invalid and/or not infringed. In response, Forest filed suit, alleging that Ivax’s filing of the ANDA infringed the ’712 patent. Ivax denied infringement and counterclaimed that the ’712 patent was invalid. Forest amended its complaint to add Cipla, the intended supplier of EO and a co-contributor of the information filed in the ANDA. The parties stipulated to a specific claim construction and agreed, based on that stipulation, that the proposed products in the ANDA and the proposed process for making those products infringed the ’712 patent. Thus, only the counterclaims were before the district court. In a bench trial, the district court considered whether the claims were invalid as anticipated by, or obvious over, an article by Donald Smith (“the Smith reference”). The district court also considered whether claim 11 was improperly broadened through reissue.

The district court found that the Smith reference did not anticipate the claims of the ’712 patent because it did not disclose substantially pure escitalopram as claimed and that it did not enable

a person having ordinary skill in the art to obtain that compound. The district court also found that Ivax and Cipla had failed to prove by clear and convincing evidence that any of the asserted claims of the '712 patent were obvious. In addition, the district court found that claim 11 of the '712 patent was not invalid for impermissible broadening during reissue. Specifically, during the reissue proceeding that resulted in the '712 patent, claim 11 was corrected to claim a method of converting a (-)-diol intermediate to (+)-citalopram, rather than using a (+)-diol intermediate as shown in the original patent claim. The district court found that, given the specific description of the process in the specification, this change amounted to correction of a typographical error. Therefore, it held that the scope of claim 11 had not been improperly enlarged during reissue.

“[W]hile the injunction may properly extend to the ‘approved drug,’ it should not extend to the remainder of the products covered by the patent.”
Slip op. at 15.

The district court also enjoined both Ivax and Cipla “from commercially making, using, offering to sell or selling within the United States, or importing into the United States any products that infringe the '712 patent, including the escitalopram oxalate products referred to in the [ANDA] until such time as the '712 patent expires.” Slip op. at 6. Ivax and Cipla appealed.

On appeal, the Federal Circuit first addressed the anticipation issue. Agreeing with Forest, the Federal Circuit noted that the district court’s findings relating to enablement of the Smith reference were not clearly erroneous, and, based upon those findings, found no error in the district court’s conclusion that the Smith reference was not enabled with respect to (+)-citalopram. In so finding, the Court noted that Ivax and Cipla failed “[to] inform [it] why the district court was not entitled to rely on the evidence favorable to Forest or demonstrate that the evidence favorable to them heavily outweighed the evidence favorable to Forest.” *Id.* at 9. The Court concluded that given Ivax and Cipla’s failure to disturb the “detailed and thorough factual findings underlying the

district court’s decision,” it saw no error in the finding that the Smith reference was not enabling and, hence, did not anticipate the claims of the '712 patent. *Id.*

Similarly, with respect to obviousness, the Federal Circuit noted that the district court’s key factual findings underlying its conclusions on obviousness were not clearly erroneous, and based upon those findings, it found no error in the district court’s conclusion that the asserted claims of the '712 patent were not invalid for obviousness. The Court added that “[t]he district court applied the *Graham* factors to conduct a thorough analysis of the evidence, and [it found] no clear error on facts and no error of law.” *Id.* at 11. It concluded that the district court’s findings fully supported the conclusion that the claimed subject matter would not have been obvious to one of ordinary skill in the art.

The Federal Circuit then turned to the question of whether claim 11 had been impermissibly broadened during reissue. The Court noted that the '712 patent resulted from an application filed more than two years after the grant of the original patent, and that the claims of a reissue patent filed after that date would be invalid if they enlarge the scope of the original claims. However, explained the Court, “a change in a reissue application that is only clerical does not necessarily broaden the scope of the claims and so does not render the patent invalid.” *Id.* at 12. The Court stated that the question before it was whether the change in the reissue application broadened the scope of claim 11 or merely clarified or corrected the original claim. It added that “[c]omparison of the scope of the reissue claims with the claims of the original patent is a matter of claim construction, and it is performed from the perspective of one having ordinary skill in the art.” *Id.*

Applying these principles, the Court agreed with Forest that the change in claim 11 did not broaden the scope of the claim. The Court reasoned that “[t]he patent specification support[ed], even compel[led], this conclusion.” *Id.* It reviewed the specification and concluded that it was clear from the details presented in the relevant reaction scheme that it was the (-)-diol intermediate that was used to produce (+)-citalopram. The Court concluded that given the specification and the

additional supporting expert testimony also relied upon by the district court, it saw no error in the district court's finding that a person of ordinary skill in the art reviewing the '712 patent would find the error in claim 11 apparent. The Court therefore agreed that the change during reissue did not represent a change of claim scope, but merely a correction of the claim to be consistent with the disclosure of the specification.

The Federal Circuit next addressed the scope of the district court's injunction. The Court noted that it did not agree with the scope of the injunction because it included products other than escitalopram oxalate. The Court explained that it has held that the only acts an injunction may prohibit are infringement of the patent by the adjudicated products and infringement by products not more than colorably different from the adjudicated products. It noted that in order to comply with Rule 65(d) of the Federal Rules of Civil Procedure, the injunction should explicitly proscribe only those specific acts. Applying these principles, the Court noted the '712 patent covered a range of products beyond those described in the ANDA and that the statute, 35 U.S.C. § 271(e)(4)(B), limits injunctive relief to the "approved drug." The Court reasoned that, thus, while the injunction may properly extend to the "approved drug," it should not extend to the remainder of the products covered by the '712 patent. It therefore modified the injunction to delete the language "any products that infringe the '712 patent, including." *Id.* at 15.

Ivax and Cipla also argued that the injunction was improper with respect to Cipla because Cipla did not file the ANDA. Instead, Cipla's role was limited to providing Ivax with information to support the ANDA submission. Rejecting this argument, the Federal Circuit noted that section 271(e)(2) may support an action for induced infringement. The Court noted that the only difference in the analysis of a traditional infringement claim and a claim of infringement under section 271(e)(2) is the timeframe under which the elements of infringement are considered. It observed that "[a]n inquiry into induced

infringement focuses on the party accused of inducement as the prime mover in the chain of events leading to infringement." *Id.* The Court noted that the plan to manufacture, import, market, and sell the EO products described in the ANDA was undoubtedly a cooperative venture, and Cipla was to manufacture and sell infringing EO products to Ivax for resale in the United States. It concluded that under the standards for inducement, Cipla had therefore actively induced the acts of Ivax that will constitute direct infringement upon approval of the ANDA, and it was thus not inappropriate for the district court to include Cipla within the scope of the injunction.

In so concluding, the Court acknowledged that Cipla had not committed any current act of infringement by the mere act of providing data for obtaining FDA approval. However, noted the Court, just as Ivax will be liable for, and hence was being enjoined from, the commercial exploitation of escitalopram when it is approved by the FDA and during the life of the '712 patent, so should Cipla be enjoined. The Court added that it was true that section 271(e)(2) defined Ivax's filing of its ANDA as an infringement, and Cipla did not file the ANDA; however, when the question of an injunction against commercial activity arises, Cipla was as culpable as Ivax, and hence should be enjoined.

Judge Schall agreed with the Court insofar as it affirmed the district court's judgment with respect to validity and modified the scope of the injunction issued by the district court. However, he dissented insofar as the Court affirmed the district court's entry of an injunction as to Cipla. He reasoned that although section 271(e)(2) makes the filing of an ANDA an act of infringement and section 271(e)(4)(B) provides for injunctive relief against such an infringer, section 271(e)(1) exempts all uses of patented inventions that are reasonably related to the development and submission of any data to the FDA. He thus concluded that because Cipla had only provided information to Ivax for submission to the FDA, no basis existed for any cause of action under section 271(e)(2) against Cipla.

A Simple Allegation Regarding Willfulness and Establishing Knowledge of the Patent Prior to the Suit Is Sufficient to Meet the Pleading Requirements and Failure to Move for SJ on Willfulness Does Not Indicate an Intent to Abandon That Claim

K. Kevin Mun

Judges: Mayer (author), Rader, Moore

[Appealed from N.D. Ill., Judge Der-Yeghiayan]

In *Mitutoyo Corp. v. Central Purchasing, LLC*, Nos. 06-1312, -1343 (Fed. Cir. Sept. 5, 2007), the Federal Circuit affirmed the district court’s grant of SJ of infringement to Mitutoyo Corporation and Hexagon Metrology Nordic AB (collectively “Mitutoyo”) and its dismissal of Mitutoyo’s exclusive distributor as a party, but reversed the district court’s dismissal of Mitutoyo’s willful infringement claim. The Federal Circuit also affirmed-in-part and reversed-in-part the district court’s damages award, and remanded for a proper accounting.

Mitutoyo owns U.S. Patent No. 4,743,902 (“the ’902 patent”), which relates to a device for electronically measuring the movement of one object in relation to another, e.g., the movement of a caliper’s slide relative to its scale. In 2003, Mitutoyo and Mitutoyo America Corporation (“MAC”) sued Central Purchasing, LLC (“Central”) for infringement of the ’902 patent and breach of contract. They alleged that Central’s sale of digital calipers infringed the ’902 patent, both literally and willfully, and breached their 1994 settlement agreement—which resolved a 1992 patent infringement dispute involving the ’902 patent and provided that Central would refrain from any future importation or sale of infringing products.

With respect to infringement, the parties’ dispute turned only on whether the accused devices met the “phased position identification” limitation of

claim 1 of the ’902 patent. The parties stipulated that this term meant “[t]he amount by which the received signal is displaced or shifted in time relative to a supply electrode signal.” Slip op. at 3. Based on this claim construction and Central’s admissions, the district court granted SJ of infringement to Mitutoyo, finding that Central literally infringed the ’902 patent. In light of its infringement ruling, the district court also found Central liable for breach of contract. However, the district court dismissed Mitutoyo’s willfulness claim, finding that Mitutoyo had insufficiently pled and failed to properly prosecute that claim.

The district court also found that MAC was not a proper party to the action because it lacked standing. The district court found that MAC did not possess the exclusive right to sell in the United States under the ’902 patent, as required to maintain licensee standing. With

respect to damages, the district court found that Mitutoyo was not entitled to a lost profit award because it failed to establish any market overlap between its and Central’s goods. The district court did, however, award Mitutoyo damages based on a reasonable royalty using a 29.2% royalty rate. It determined that this rate was appropriate because Mitutoyo would not have accepted less than its profit margin of 29.2%, given Central’s anticipated profit margin of 70%. In addition, in calculating the royalty base, the district court included sales of the accused calipers by Harbor Freight Tools USA, Inc. (“HFTUSA”), an independent corporate entity with an owner different from Central’s.

Central appealed as to infringement and the royalty. Mitutoyo and MAC cross-appealed as to willful infringement, MAC’s standing, and lost profits.

On appeal, Central argued that its devices did not literally infringe the ’902 patent because the signal recorded by the receiving electrode in its devices was a sinusoidal wave, whereas the signal

“[B]ecause summary judgment is only appropriate where there are no genuine issues of material fact, . . . [a party’s] failure to so move [on its willfulness claim] likely indicates its sense that issues of material fact exist, not an intent to abandon its willfulness claim.” Slip op. at 9 (citation omitted).

generated by the supply electrode was a square wave. Because these waves could not be directly compared to determine the phase angle between them, Central argued that its accused devices did not satisfy the “phase position identification” limitation. Rejecting this argument, the Federal Circuit concluded that neither the stipulated claim construction nor the language of claim 1 required calculation of the phase angle by direct comparison of the supply signal and the received signal. Instead, noted the Court, they merely required the phase angle to be calculated based on some comparison of those two signals, even an indirect one. Further, citing *Phillips v. AWH Corp.*, 415 F.3d 1303, 1315 (Fed. Cir. 2005), the Court concluded that its understanding of the “phase position identification” limitation was consistent with the specification, which expressly provided for determination of the phase angle via an indirect comparison. Accordingly, the Federal Circuit affirmed the district court’s grant of SJ of infringement.

Regarding the district court’s dismissal of Mitutoyo’s willful infringement claim, the Court noted that it construed the district court’s dismissal of that claim as a dismissal for failure to state a claim under Rule 12(b)(6) of the Federal Rules of Civil Procedure and, alternatively, as a dismissal for failure to prosecute under Rule 41(b). The Court observed that both grounds for dismissal were procedural issues not pertaining to patent law and that it would review them under regional circuit law (here, Seventh Circuit law). The Court noted that in its complaint, Mitutoyo alleged that “[t]he acts of infringement by Central . . . have occurred with full knowledge of [the ’902 patent] and have been willful and deliberate,” slip op. at 8, and provided other details that established that Central had knowledge of the ’902 patent prior to 2002. The Court concluded that this was “plainly more than sufficient to meet the requirements of Rule 8(a)(2) for pleading a willful infringement claim and to avoid dismissal under Rule 12(b)(6).” *Id.* Accordingly, the Court held that, to the extent that the trial court relied on Rule 12(b)(6) as the basis for its dismissal, it was in error.

The Court also found that the district court abused its discretion by dismissing the willfulness claim for failure to prosecute under Rule 41(b). It noted

that nothing in Mitutoyo’s litigation conduct showed an intent not to pursue its willful infringement claim. The Court ruled that Mitutoyo’s failure to move for SJ of willful infringement did not warrant dismissal under Rule 41(b) because it did not indicate Mitutoyo’s intent to abandon its willful infringement claim, but rather Mitutoyo’s sense that issues of material fact existed. Accordingly, the Federal Circuit reversed the dismissal, reinstated the willful infringement claim, and remanded for trial on this issue.

Regarding MAC’s standing, Mitutoyo and MAC argued that MAC had standing because it is the exclusive distributor of Mitutoyo products in the United States. This argument, noted the Court, misunderstood the relevant inquiry. The Court observed that “[i]n order for a licensee to have co-plaintiff standing, it must hold at least some of the proprietary rights under the patent.” *Id.* at 10. The Court determined that because Mitutoyo represented to the district court that another company imported products covered by the ’902 patent and had the right to sell them in the United States, MAC did not possess the requisite exclusive right to sell.

With respect to lost profits, the Federal Circuit held that the district court correctly determined that Mitutoyo failed to meet its burden of establishing any market overlap so as to entitle it to a jury trial on lost profit damages. The Federal Circuit noted that not only was there very little price overlap between Mitutoyo’s products and Central’s products, Mitutoyo failed to put any direct evidence to suggest overlap among the consumers buying the companies’ respective goods. The Court further noted that Central demonstrated that Mitutoyo’s products were sold almost entirely outside the price range in which Central’s customers were likely to buy. Accordingly, the Federal Circuit concluded that there was no basis from which a jury could have found lost profit damages.

As for the royalties, the Federal Circuit held that the district court correctly calculated the royalty rate based on a hypothetical negotiation between a willing patentee and a willing licensee at the time infringement began. The Court reasoned that

while the district court could have looked at figures other than Central's anticipated margin of 70% and Mitutoyo's profit margin of 29.2% in determining what Central would have been willing to pay and what Mitutoyo would have required for a license, its use of these figures was not clearly erroneous.

Finally, with respect to the royalty base, the Federal Circuit held that the district court committed clear error by including HFTUSA's sales, rather than Central's sales to HFTUSA. The Court noted that the district court provided no explanation as to why Central would have agreed to pay a royalty based on those sales. The Court reasoned that the business relationship between HFTUSA and Central, without more, did not provide a sufficient justification for including HFTUSA's sales in the base. It noted that Central and HFTUSA had no corporate relationship and that there were no courses of dealing or other evidence to suggest that Central would have agreed to pay royalties based on both its sales and HFTUSA's sales. Accordingly, the Federal Circuit reversed the damages award insofar as it included HFTUSA's sales in the royalty base and remanded for the proper accounting of the base.

The Specification Must Enable the Entire Scope of a Claim, Including the Novel Aspect, to Satisfy the Enablement Requirement

Darrell D. Kinder

Judges: Lourie (author), Rader, Prost

[Appealed from E.D. Mich., Judge Cleland]

In *Automotive Technologies International, Inc. v. BMW of North America, Inc.*, Nos. 06-1013, -1037 (Fed. Cir. Sept. 6, 2007), the Federal Circuit affirmed the district court's grant of SJ of invalidity of claims 1-44 of Automotive Technologies International, Inc.'s ("ATI")

U.S. Patent No. 5,231,253 ("the '253 patent"), holding that the claims of the '253 patent were invalid for lack of enablement.

The technology at issue involves crash sensing devices for deployment in an occupant protection apparatus, such as an airbag, during an impact or crash involving the side of a vehicle. The '253 patent, entitled "Side Impact Sensors," is directed to a velocity-type sensor, which is a sensor that triggers when a velocity change sensed in a crash exceeds a threshold value.

"Although the knowledge of one skilled in the art is indeed relevant, the novel aspect of an invention must be enabled in the patent." Slip op. at 15-16.

In May 2001, ATI filed a complaint against numerous defendants in the automotive industry, alleging infringement of the '253 patent. In March 2004, the district court conducted a *Markman* hearing and construed the relevant claims. In light of the district court's claim construction, several defendants, including Siemens Automotive Corporation, Ford Motor Company, and Hyundai Motor Company, filed a motion for partial SJ of noninfringement, which the district court granted. Defendants Calsonic Kansei Corporation ("Calsonic") and Nissan North America, Inc. ("Nissan") also filed a separate motion for SJ of noninfringement, but the district court denied their motion. In addition, various defendants filed a motion for SJ that claims 1-44 were invalid for failing to comply with the written description requirement under 35 U.S.C. § 112, ¶ 1. The district court granted this motion.

In addition, defendant Delphi Corporation ("Delphi") filed a motion for SJ that the claims of the '253 patent were invalid for lack of enablement. The district court granted Delphi's motion as well. It noted that ATI advocated for and obtained a broad claim construction for the phrase "means responsive to the motion of said mass upon acceleration of said housing in excess of a predetermined threshold value, for initiating an occupant protection apparatus" to include both mechanical side impact sensors and electronic side impact sensors. However, because it found that

the specification did not enable the electronic sensors, it concluded that the full scope of the claims was not enabled and that the claims were invalid for lack of enablement.

ATI appealed from the district court's grant of SJ of noninfringement and invalidity, while Calsonic and Nissan cross-appealed from the district court's denial of their SJ motion. On appeal, the Federal Circuit affirmed the district court's finding of invalidity based on the enablement requirement and, given its decision on enablement, did not reach the other issues on appeal.

With respect to enablement, the Federal Circuit observed that the enablement requirement is set forth in 35 U.S.C. § 112, ¶ 1, and that it is satisfied when one skilled in the art, after reading the specification, could practice the claimed invention without undue experimentation. The Court noted that the district court construed the phrase "means responsive to the motion of said mass" to include both mechanical and electronic sensors, and that the parties did not dispute that construction, nor did they dispute that the specification enabled mechanical sensors. The Court noted that under the district court's construction, however, the full scope must be enabled, and agreed with the district court that the specification did not enable the full scope of the invention because it did not enable the electronic sensors.

The Court first looked at the specification and noted that although two full columns and five figures of the '253 patent discussed mechanical sensors, only one short paragraph and one figure related to an electronic sensor. Importantly, stated the Court, "that paragraph and figure [did] little more than provide an overview of an electronic sensor without providing any details of how the electronic sensor operate[d]." Slip op. at 14. The Court noted that the figure "represent[ed] a concept of an electronic sensor, not a figure providing details that would show one skilled in the art how to make or use an electronic side impact sensor" and that "the textual description of [the figure], which [was] the only description of an electronic sensor in the patent, provide[d] little detail concerning how the electronic sensor is built or operated." *Id.* at 14-15. In addition, the Court

noted that the inventors stated that the figure was "not meant to represent any specific design or sensor or anything, just a concept" and "admitted that the specification fail[ed] to disclose structure for any of the technologies mentioned." *Id.* The Court concluded that this "general description . . . fail[ed] to provide a structure or description of how a person having ordinary skill in the art would make or use an electronic side impact sensor." *Id.* at 15.

ATI argued that despite the limited disclosure, the knowledge of one skilled in the art was sufficient to supply the missing information. The Federal Circuit did not agree, noting that "[a]lthough the knowledge of one skilled in the art is indeed relevant, the novel aspect of an invention must be enabled in the patent." *Id.* at 15-16. The Court observed that during prosecution, ATI had stated that using inertial or acceleration sensors to sense side impacts represented a "breakthrough" in side impact crashing. It reasoned that "[g]iven that the novel aspect of the invention [was] side impact sensors, it [was] insufficient to merely state that known technologies [could] be used to create an electronic sensor." *Id.* at 16. The Court explained that "the rule that a specification need not disclose what is well known in the art is 'merely a rule of supplementation, not a substitute for a basic enabling disclosure.'" *Id.* (citation omitted). It added that the "omission of minor details does not cause a specification to fail to meet the enablement requirement. However, when there is no disclosure of any specific starting material or of any of the conditions under which a process can be carried out, undue experimentation is required." *Id.* (citation omitted).

Moreover, the Court observed that the specification stated that "[s]ide impact sensing is a new field," and that ATI stated at the time it filed the application for the '253 patent that it did not know of any electronic sensors used to sense side impact crashes. It reasoned that, given these facts, "it was especially important for the specification to discuss how an electronic sensor would operate to detect side impacts and to provide details of its construction." *Id.* at 17. The Court added that "the specification provide[d] 'only a starting point, a direction for further research' on using electronic

sensors for sensing side impact crashes; it [did] not provide guidance to a person of ordinary skill in the art on how to make or use an electronic side impact sensor.” *Id.* It concluded that “[t]he specification fail[ed] to provide ‘reasonable detail’ sufficient to enable use of electronic side impact sensors.” *Id.*

The Court stated that the inadequacy of the description of an electronic side impact sensor was highlighted by the comparison with the extensive disclosure of how to make and use a mechanical side impact sensor, consisting of two full columns. It also relied on Delphi’s expert and inventor’s testimony as additional support for the conclusion of lack of enablement. Specifically, Delphi’s expert discussed at length how a great deal of experimentation would have been necessary, and one of the inventors stated that, based on his experience, electronic sensors for detecting side impact crashes could not be obtained commercially and would have had to be developed. The inventor also admitted that he had never built such a sensor. In so relying on this testimony, the Federal Circuit rejected the testimony of ATI’s expert, noting that his testimony failed to provide any detail regarding why no experimentation was necessary and, thus, did not create a genuine issue of material fact as to enablement.

Finally, the Federal Circuit also rejected ATI’s argument that because the specification enabled one mode of practicing the invention, the mechanical side impact sensors, the enablement requirement was satisfied. The Court reasoned that “[d]isclosure of only mechanical side impact sensors does not permit one skilled in the art to make and use the invention as broadly as it was claimed, which includes electronic side impact sensors.” *Id.* at 19. The Court noted that electronic side impact sensors were not just another known species of a genus consisting of sensors, but were distinctly different sensors compared with the well-enabled mechanical side impact sensors that were fully discussed in the specification. It concluded that, thus, in order to fulfill the enablement requirement, the specification must enable the full scope of the claims that includes both electronic and mechanical side impact sensors, which the specification failed to do.

A Patentee Is Held to What He Declares During the Prosecution of the Patent

Jeremy T. Thissell

Judges: Newman (author), Schall, Bryson

[Appealed from D. Utah, Senior Judge Jenkins]

In *Gillespie v. Dywidag Systems International, USA*, No. 06-1382 (Fed. Cir. Sept. 6, 2007), the Federal Circuit modified the district court’s claim construction of Harvey D. Gillespie’s U.S. Patent Nos. 5,230,589 (“the ’589 patent”) and 5,259,703 (“the ’703 patent”), concluded that literal infringement could not be found under the modified construction, and reversed the district court’s judgment of infringement.

Gillespie sued Dywidag Systems International, USA (“Dywidag”) for infringement of the ’589 and ’703 patents. The ’589 and ’703 patents are directed to a mine roof bolt. It is known to install such bolts in bore holes of a mine roof to reinforce and support the rock formation above a mine roof. The bolt of the ’589 and ’703 patents is made of steel cable with various structural components. Specifically, it includes a multistrand steel cable and a head formed by a two-piece tapered plug positioned around the stranded steel cable at one end and an internally tapered collar having a drive head with a hexagonal or other shape slipped over the tapered plug.

Dywidag conceded that its accused device met all of the claim limitations of the ’589 and ’703 patents except for the limitation that recited a “drive collar . . . having an outer surface defining a drive head.” The specifications of Gillespie’s patents described the drive collar as a “square head or any other shaped head that accepts a mine roof bolt driver mechanism.” In the Dywidag structure, instead of a drive collar that surrounds the tapered plug, the Dywidag cable bolt is rotated by way of a key socket recessed in the end of the bolt head. Dywidag argued that Gillespie’s claims defined a bolt having a “drive collar . . . having an outer surface defining a drive head that accepts a driving mechanism,” whereas the Dywidag structure for turning the bolt was located on the inner surface,

not the outer surface, of the bolt head or collar. The district court rejected Dywidag's argument and ruled that the term "outer surface" in the claims did not mean the exterior surface of the drive head, but meant outer "relative to the frusto-conical 'inner' surface portion thereof." Slip op. at 6. Given this construction, the district court ruled that the square hole at the end of Dywidag's bolt cylinder was at an "outer surface defining a drive head that accepts a driving mechanism." *Id.* The parties stipulated to literal infringement, given the court's claim construction, and Dywidag appealed.

On appeal, the Federal Circuit held that it did not agree that "a person of ordinary mechanical skill would read the specification, the drawings, and the claims to construe 'outer surface' of the drive collar to include a collar whose interior, not exterior, accepts the drive tool." *Id.* at 9. It reasoned that the specification and drawings described and illustrated a drive collar whose inner (interior) surface engages the tapered plug and whose outer (exterior) surface accepts the drive tool. The Court thus concluded that the surface must be outer with respect to the collar.

The Court observed that "[t]his is the meaning that Gillespie used when he argued during prosecution that [a particular] reference ['Spies'] was distinguished by its smooth outer surface, as contrasted with Gillespie's angular outer surface." *Id.* In this argument, noted the Court, Gillespie "clearly used 'outer' to refer to the outside surface of the bolt head, and pointed out that the cylindrical outside surface of the Spies bolt head rendered it incapable of being driven by a mine roof bolting machine." *Id.* In so finding, the Court rejected Gillespie's argument that this distinction was not material to the grant of his patent because the examiner did not mention it in the reasons for allowance, noting that Gillespie nonetheless argued this distinction.

The Court concluded that Gillespie's specification and argument were directed to an exterior surface of the drive collar, shaped to accept the drive tool. It noted that "[t]his [was] the meaning that Gillespie used when he argued the difference from Spies." *Id.* at 10. It added that "[a] cylindrical outer surface that is not adapted to be grasped by a drive tool characterizes the Spies and the Dywidag bolt heads." *Id.* The Court explained that "[s]uch

[a] construction was negated during prosecution" and that a "patentee is held to what he declares during the prosecution of his patent." *Id.* Given its construction, the Court held that the district court's judgment of literal infringement could not stand. Accordingly, it reversed the district court.

Isolation of the Most Therapeutically Active Ingredient Was Obvious Where the Ingredient Was Present in a Mixture in the Prior Art

James A. Tartal

**Judges: Mayer, Linn (author), Robertson
(District Judge sitting by designation)**

[Appealed from E.D. Va., Judge Doumar]

In *Aventis Pharma Deutschland GmbH v. Lupin, Ltd.*, Nos. 06-1530, -1555 (Fed. Cir. Sept. 11, 2007), the Federal Circuit reversed the district court and held that the subject matter of the asserted claims of U.S. Patent No. 5,061,722 ("the '722 patent") was invalid as obvious over various prior art references.

Aventis Pharma Deutschland GmbH ("Aventis") was issued the '722 patent directed to the pharmaceutical compound ramipril in a formulation "substantially free of other isomers." Ramipril, like many complex organic molecules, is one of a family of stereoisomers. An isomer of a compound is a separate compound in which each molecule contains the same constituent atoms as the first compound, but with those atoms arranged differently. A stereoisomer is an isomer in which the same atoms are bonded to the same other atoms, but where the configuration of those atoms in three dimensions differs.

In the structural formula that represents ramipril, there are five carbon atoms that may take either of two orientations—or five "stereocenters," as such atoms are known. To differentiate among members of the family of stereoisomers, each member's stereocenters are labeled either "R" or "S," depending upon its configuration. The five stereocenters in ramipril are expressly oriented in the "S" configuration and, as a result, it is known

as an “SSSSS” or a “5(S)” stereoisomer. Ramipril is in the family of drugs known as “Angiotensin-Converting Enzyme inhibitors,” or “ACE inhibitors.” ACE inhibitors are useful for treating high blood pressure because they inhibit a biochemical pathway that constricts blood vessels. Enalapril is the ACE inhibitor that immediately preceded ramipril. Enalapril has three stereocenters.

“[I]f it is known that some desirable property of a mixture derives in whole or in part from a particular one of its components, or if the prior art would provide a person of ordinary skill in the art with reason to believe that this is so, the purified compound is prima facie obvious over the mixture even without an explicit teaching that the ingredient should be concentrated or purified.” Slip op. at 15.

Ramipril is marketed as a blood pressure medication under the name Altace® by King Pharmaceuticals, Inc. (“King”), the exclusive licensee of the ’722 patent. After Lupin, Ltd. and Lupin Pharmaceuticals, Inc. (collectively “Lupin”) filed an ANDA seeking approval for a generic version of ramipril, Aventis and King sued Lupin for infringement of the ’722 patent. After a bench trial on validity, the district court concluded that the ’722 patent was neither anticipated nor obvious.

On appeal, the Federal Circuit first rejected an Aventis challenge to the prior art status of U.S. Patent No. 5,348,944 (“the ’944 patent”) because Aventis had not raised the issue below. The Federal Circuit also found that Dr. Elizabeth Smith’s synthesis of a mixture called SCH 31925 qualified as prior art under 35 U.S.C. § 102(g), which affords prior art status to an invention made in the United States by another inventor who has not abandoned, suppressed, or concealed it. The Federal Circuit rejected Aventis’s argument that Dr. Smith abandoned, suppressed, or concealed SCH 31925, noting that a method similar to Dr. Smith’s method for synthesizing SCH 31925 was disclosed in a patent application filed by Dr. Smith’s employer, Schering. That application was based on the work of Dr. Smith. The Court

further noted that the exact method used by Dr. Smith to synthesize SCH 31925 was disclosed in a related Schering patent, and that SCH 31925 was developed in the course of extensive ongoing research and development and concurrent ongoing patent prosecution.

Turning to the question of obviousness, the Court noted that the key question is whether the 5(S) stereoisomer of ramipril, in a form substantially free of other isomers, would have been obvious over the prior art at the time of the ’722 patent’s priority date. The Court further noted that the district court found that it was a close case, but held that Lupin failed to meet its burden of proof by clear and convincing evidence that a person of ordinary skill in the art would have been motivated to purify 5(S) ramipril into a composition substantially free of other isomers.

The Federal Circuit pointed out that after the date of the district court’s decision, the Supreme Court decided *KSR International Co. v. Teleflex Inc.*, 127 S. Ct. 1727 (2007), which counsels against applying the teaching, suggestion, or motivation (“TSM”) test as a rigid and mandatory formula. The Federal Circuit explained that it remains necessary, however, to show “‘some articulated reasoning with some rational underpinning to support the legal conclusion of obviousness,’ but such reasoning ‘need not seek out precise teachings directed to specific subject matter of the challenged claim.’” Slip op. at 13 (quoting *KSR*, 127 S. Ct. at 1741). The Federal Circuit concluded that “[r]equiring an explicit teaching to purify the 5(S) stereoisomer from a mixture in which it is the active ingredient is precisely the sort of rigid application of the TSM test that was criticized in *KSR*.” *Id.* at 13-14.

In the chemical arts, the Court noted that it has long been held that “structural similarity between claimed and prior art subject matter, proved by combining references or otherwise, where the prior art gives reason or motivation to make the claimed compositions, creates a prima facie case of obviousness.” *Id.* at 14 (citation omitted). The Federal Circuit explained that the necessary “reason or motivation” may be established by showing that “the claimed and prior art compounds possess a ‘sufficiently close relationship . . . to create an expectation,’ in light of the totality of the prior art, that the new compound will have ‘similar

properties' to the old." *Id.* (quoting *In re Dillon*, 919 F.2d 688, 692 (Fed. Cir. 1990) (en banc)). Once a prima facie case of obvious has been established, it is the burden of the applicant or patentee to rebut it by showing, for example, that the claimed compound has unexpected properties.

The Court explained that the analysis is similar where, as here, a claimed composition is a purified form of a mixture that existed in the prior art. Such a purified compound is not always prima facie obvious over the mixture; for example, it may not be known that the purified compound is present in or an active ingredient of the mixture, or the state of the art may be such that discovering how to perform the purification is an invention of patentable weight in itself. However, the Court elaborated, "if it is known that some desirable property of a mixture derives in whole or in part from a particular one of its components, or if the prior art would provide a person of ordinary skill in the art with reason to believe that this is so, the purified compound is prima facie obvious over the mixture even without an explicit teaching that the ingredient should be concentrated or purified." *Id.* at 15. If it is known how to perform the isolation of the compound of interest, the Court explained, doing so "is likely the product not of innovation but of ordinary skill and common sense." *Id.* (quoting *KSR*, 127 S. Ct. at 1742).

Having laid out the legal framework, the Court turned to analysis of the prior art in the case. The Court concluded that the record suggested that when Dr. Smith synthesized SCH 31925—a prior art mixture of 5(S)-configuration ramipril and its SSSSR stereoisomer—she understood that the 5(S) form of ramipril was the mixture's therapeutically active ingredient. Even if she did not, the Court said, other prior art provides a sufficient reason to look to the 5(S) configuration. Several pieces of prior art suggested that the S configuration is more potent than the R configuration. For example, a prior art article taught that the SSS configuration of enalapril is 700 times as potent as the SSR form. Moreover, the Court noted, prior art U.S. Patent No. 5,348,944 ("the '944 patent") specifically taught that stereoisomers of ramipril can be separated by conventional methods. The Court concluded that, Aventis's protestations notwithstanding, there was no evidence that separating 5(S) and SSSSR ramipril was outside

the capability of an ordinary skilled artisan. Aventis attempted to rebut the prima facie case of obviousness by asserting that 5(S) ramipril exhibited unexpected results in the form of increased potency over the next most potent isomer, the RRSSS form. The Federal Circuit rejected this comparison, noting that Aventis had to show unexpected results not over all of the stereoisomers, but over the SCH 31925 mixture disclosed in the prior art. The Court found that all of the evidence suggested that potency varies with the absolute amount of 5(S) isomer in a mixture, and the potency of pure 5(S) ramipril was precisely what one would expect. Thus, the Court concluded that the asserted claims of the '722 patent were invalid as obvious over the SCH 31925 mixture, the '944 patent, and the enalapril references in the prior art.

Finally, the Court addressed asserted claims 4 and 5 of the '722 patent, noting that it must evaluate obviousness on a claim-by-claim basis. The additional limitations of claim 4, concerning a hypotensively effective amount, and claim 5, concerning a method for reducing blood pressure by administering the compound of claim 1, appeared almost verbatim in virtually all of the prior art patents. The Federal Circuit found claims 4 and 5 identified a manner of using ACE inhibitors that was well understood by ordinarily skilled artisans and held both claims also to be invalid as obvious.

To Prove Direct Infringement, a Patentee Must Point to Specific Instances of Direct Infringement or Show That the Accused Device Necessarily Infringes Its Patent

Troy A. Petersen

Judges: Lourie (author), Schall, Prost

[Appealed from E.D. Tex., Judge Ward]

In *ACCO Brands, Inc. v. ABA Locks Manufacturer Co.*, No. 06-1570 (Fed. Cir. Sept. 12, 2007), the Federal Circuit reversed the district court's judgment in favor of ACCO Brands, Inc. ("ACCO") with respect to induced infringement of

ACCO's U.S. Patent No. 5,502,989 ("the '989 patent") and vacated the district court's judgment, also in favor of ACCO, with respect to willfulness, enhanced damages, and attorneys' fees because it found that the jury's verdict of direct infringement was not supported by substantial evidence. However, finding no grounds for reversible error as to validity, unenforceability, and claim construction, the Federal Circuit affirmed those aspects of the district court's decision.

ACCO is the owner of U.S. Patent No. 5,493,878 ("the '878 patent"), U.S. Patent No. 6,006,557 ("the '557 patent"), and the '989 patent. These patents are directed to locking systems that inhibit the theft of equipment such as personal computers. In May 2002, ACCO sued ABA Locks Manufacturer Co., Ltd. ("ABA") and Belkin Components ("Belkin") for infringement, alleging that ABA and Belkin's K100 ("key lock") and C100 ("combo lock") products infringed the '878, '557, and '989 patents. ABA is a Taiwan-based manufacturer of the key lock and combo lock products, whereas Belkin is a California-based distributor of these products in the United States.

After construing the disputed claim limitations, the district court granted SJ to ABA and Belkin, finding that the combo lock did not infringe the '989 or '878 patents and that the key lock did not infringe the '878 patent. Then, in May 2004, a jury determined the remaining infringement and validity issues with respect to the '989 and '557 patents. The jury was informed, based on the claim construction, that the key lock could essentially be operated in two ways, one infringing and the other noninfringing. The noninfringing method was the method that Belkin instructed its customers to use in the instructions included in its key lock product. The parties agreed that when a user employed the noninfringing method, direct infringement did not occur.

The jury found that the defendants willfully induced infringement of the '989 and '557 patents, and rejected all invalidity defenses. The jury also awarded damages, but did not apportion them based on the type of lock. The defendants then moved for JMOL, which the district court granted in part. Specifically, the district court granted JMOL that the claims of the '557 patent were invalid, which resulted in the combo lock not infringing any of the asserted patents as a matter of law. Because the jury's damages award was not

apportioned separately for the key lock and the combo lock, and because the district court previously determined that the combo lock did not infringe the '989 patent, the district court set aside the damages verdict. A second jury trial was then held to determine damages due to the key lock's infringement of the '989 patent. The second jury found that all of ABA and Belkin's lock sales induced infringement and awarded damages against ABA in the amount of \$1,822,000 and against Belkin in the amount of \$253,000. Then, after a bench trial on inequitable conduct, the district court held that the defendants had failed to prove that the '989 patent was unenforceable. The district court also found the case exceptional under 35 U.S.C. § 285, and awarded enhanced damages and attorneys' fees to ACCO. Belkin appealed, but ABA did not.

On appeal, the Federal Circuit addressed the jury verdict of induced infringement first. The Court agreed with Belkin that substantial evidence did not

support the jury verdict that Belkin induced infringement of the '989 patent. It noted that 35 U.S.C. § 271(b) provides that "[w]hoever actively induces infringement of a patent shall be liable as an infringer." Slip op. at 7 (alteration in original). It explained that in order to prevail on an inducement claim, the patentee must establish first that there has been direct infringement, and second that the alleged infringer knowingly induced infringement and possessed specific intent to encourage another's infringement. It observed that "[s]pecific intent requires a 'showing that the alleged infringer's actions induced infringing acts and that he knew or should have known his actions would induce actual infringements.'" *Id.* (quoting *DSU Med. Corp. v. JMS Co.*, 471 F.3d 1293, 1304 (Fed. Cir. 2006)).

The Court found that ACCO failed to prove the threshold requirement of direct infringement. It explained that "[i]n order to prove direct infringement, a patentee must either point to specific instances of direct infringement or show that the accused device necessarily infringes the patent in suit." *Id.* Here, noted the Court, the parties did not dispute that the accused device could be operated in either of two modes, one infringing and the other noninfringing. The Court

"Hypothetical instances of direct infringement are insufficient to establish vicarious liability or indirect infringement."
Slip op. at 9.

added that because the accused device could be used at any given time in a noninfringing manner, the accused device did not necessarily infringe the '989 patent.

The Court observed that the record further showed that ACCO failed to point to specific instances of direct infringement. The Court noted that the sole witness at trial who testified to having used the lock in an infringing manner was ACCO's expert and that the record contained no evidence of actual users having operated the lock in an infringing manner. It noted that ACCO proffered no witness testimony of actual Belkin key lock users, or surveys of Belkin's customers, that would indicate that a user, aside from the expert retained for the litigation, directly infringed the '989 patent. Moreover, noted the Court, the record indicated that Belkin key lock users received instructions describing the noninfringing method. Thus, based on the record, the Federal Circuit held that there was no evidence of direct infringement.

Further, the Federal Circuit rejected ACCO's reliance on *Hilgraeve Corp. v. Symantec Corp.*, 265 F.3d 1336, 1343 (Fed. Cir. 2001), which states that an accused device may be found to infringe a product claim "if it is reasonably capable of satisfying the claim limitations, even though it may also be capable of non-infringing modes of operation." Slip op. at 9. The Federal Circuit found that this "broad legal statement [did] not alter the requirement that ACCO must prove specific instances of direct infringement or that the accused device necessarily infringes the patent in suit, in order to sustain the jury verdict of induced infringement." *Id.* The Court added that "[h]ypothetical instances of direct infringement are insufficient to establish vicarious liability or indirect infringement." *Id.* The Court stressed that "[t]he mere sale of a product capable of substantial non-infringing uses does not constitute indirect infringement of a patent." *Id.* (alteration in original) (citation omitted).

Because the Court found that the record lacked substantial evidence to support the jury's finding of direct infringement, it held that the jury verdict of infringement could not stand and that the district court's denial of JMOL must be reversed. In light of this conclusion, the Court further vacated the district court's judgment with respect to willfulness, enhanced damages, and attorneys' fees.

However, finding no basis to reverse the district court with respect to other issues raised by Belkin, including unenforceability, invalidity, claim construction, and the district court's denial of Belkin's motion for leave to file a revised SJ motion, the Federal Circuit affirmed those aspects of the district court's decision.

Industrial Purchaser, Not Retail Consumer, Is Ordinary Observer of Trigger Sprayer Shroud Design

Mary R. Henninger

Judges: Michel, Gajarsa, Holderman (author, Chief District Judge sitting by designation)

[Appealed from C.D. Cal., Judge Carney]

In *Arminak & Associates, Inc. v. Saint-Gobain Calmar, Inc.*, No. 06-1561 (Fed. Cir. Sept. 12, 2007), the Federal Circuit affirmed the district court's holding that the design of Arminak & Associates, Inc.'s ("Arminak") "AA Trigger" shroud did not infringe Saint-Gobain Calmar, Inc.'s ("Calmar") two design patents, U.S. Patent Nos. Des. 381,581 ("the '581 patent") and Des. 377,602 ("the '602 patent").

Calmar's '581 and '602 patents are directed to two trigger sprayer shroud designs. A shroud is an outside cover of the top portion of a trigger sprayer device (e.g., for dispersing liquid household products as a spray), located behind the nozzle and above the trigger mechanism. After Arminak began selling its AA Trigger sprayer with the accused shroud design, Calmar notified an Arminak customer that Calmar believed the AA Trigger sprayer infringed the '581 and '602 patents. Arminak filed a DJ action against Calmar of noninfringement, and later added patent invalidity and state law claims against Calmar. The district court granted Arminak's motion for SJ on its DJ claim, finding that the AA Trigger shroud design did not infringe the '581 and '602 patents, and dismissed Calmar's infringement counterclaims.

On appeal, Calmar first argued that the district court erred by construing the '581 and '602 patent claims too narrowly and focusing on minute detail

in the ornamental features rather than simply describing the drawings by words. The Federal Circuit disagreed, highlighting that the case law does not prohibit detailed claim construction of design patents. Instead, it “merely disapproves claim construction that goes beyond the novel, nonfunctional ornamental features visually represented by the claimed drawings . . . or that fails to encompass the claimed ornamental features of the design as a whole.” Slip op. at 7-8 (citation omitted). The Court further held that the “meticulous and accurate description” of the figures by the district court did not constitute error because the district court properly considered the claimed designs as a whole. *Id.* at 8.

“[T]he ordinary observer is a person who is either a purchaser of, or sufficiently interested in, the item that displays the patented designs and who has the capability of making a reasonably discerning decision when observing the accused item’s design whether the accused item is substantially the same as the item claimed in the design patent.” Slip op. at 12-13.

Next, Calmar argued that the district court mistakenly designated the ordinary observer as the industrial purchaser of trigger sprayer mechanisms for assembly into the commercial product, rather than the retail consumer that purchases the final product with the trigger sprayer, including the shroud. The Federal Circuit noted that in *Gorham Manufacturing Co. v. White*, 81 U.S. 511 (1871), the Supreme Court expressly excluded experts from the category of persons who are ordinary observers. According to the Federal Circuit, however, *Gorham* left open the possibility that industrial purchasers could be “ordinary observers.”

Agreeing with the district court, the Federal Circuit held that designating the industrial purchaser as the hypothetical ordinary observer in this case “fits squarely with our precedent that the ordinary observer is a person who is either a purchaser of, or sufficiently interested in, the item that displays the patented designs and who has the capability of making a reasonably discerning

decision when observing the accused item’s design whether the accused item is substantially the same as the item claimed in the design patent.” Slip op. at 12-13.

The Federal Circuit also upheld the district court’s finding that the accused device did not appropriate the two points of novelty for the ’581 and ’602 patents. The Court rejected Calmar’s argument that the district court committed legal error by merging the point of novelty test with the ordinary observer test. The Federal Circuit concluded that the district court properly confined its point of novelty analysis to determining whether Arminak’s AA Trigger shroud appropriated Calmar’s points of novelty. The Court also found that in conducting the point of novelty analysis, the district court was not required to limit its discussion of the points of novelty to only the exact words Calmar used to describe its two points of novelty. Instead, it was proper for the district court to compare the accused device to the points of novelty as they appeared in the figures of the patents.

Appropriate Level of Ordinary Skill in the Art Pertaining to a Patent for a Method for Treating Ear Infections Is That of a Person with Experience in Pharmaceutical Formulations, Not Just a Pediatrician or General Practitioner

Rebecca B. Scarr

Judges: Michel, Archer (author), Dyk

[Appealed from D.N.J., Judge Bassler]

In *Daiichi Sankyo Co. v. Apotex, Inc.*, No. 06-1564 (Fed. Cir. Sept. 12, 2007) (precedential opinion), the Federal Circuit reversed the district court’s judgment that U.S. Patent No. 5,401,741 (“the ’741 patent”) was not obvious, finding that the district court clearly erred in its determination of the level of ordinary skill in the art and that the ’741 patent would have been obvious in view of prior art.

Daiichi Sankyo Co., Ltd. (“Daiichi”) is the owner of the ’741 patent, which is directed to a method for treating bacterial ear infections by topically administering the antibiotic ofloxacin into the ear. Claim 1 is representative and states “[a] method for treating otopathy which comprises the topical otic administration of an amount of ofloxacin or a salt thereof effective to treat otopathy in a pharmaceutically acceptable carrier to the area affected with otopathy.” Slip op. at 2 (alteration in original).

Apotex, Inc. and Apotex Corp. (collectively “Apotex”) filed an ANDA seeking approval to manufacture a generic ofloxacin ear drop, including a certification that the ’741 patent was invalid and/or not infringed. Following receipt of the ANDA, Daiichi sued Apotex for infringement. The district court construed the claim term “effective to treat” as “efficacious and safe,” and based on that construction and following a bench trial, it concluded that the ’741 patent was not invalid. The district court also found that Daiichi did not intend to deceive the PTO during prosecution of the ’741 patent and that Apotex infringed the ’741 patent. Apotex appealed.

On appeal, the Federal Circuit noted that obviousness is a question of law based on underlying questions of fact. It noted that the underlying factual inquiries in an obviousness analysis include: (1) the scope and content of the prior art; (2) the level of ordinary skill in the prior art; (3) the differences between the claimed invention and the prior art; and (4) objective evidence of nonobviousness. The Court then turned to the question of the level of ordinary skill in the prior art.

The Court noted that the district court had concluded that the ordinary person skilled in the art pertaining to the ’741 patent “would have a medical degree, experience treating patients with ear infections, and knowledge of the pharmacology and use of antibiotics. This person would be . . . a pediatrician or general practitioner—those doctors who are often the ‘first line of defense’ in treating ear infections and who, by virtue of their medical training, possess basic pharmacological knowledge.” *Id.* at 3. Apotex argued that the district court clearly erred in its determination of the level of ordinary skill in the art and urged that a person of ordinary skill in the art was instead

“a person engaged in developing new pharmaceuticals, formulations and treatment methods, or a specialist in ear treatments such as an otologist, otolaryngologist, or otorhinolaryngologist who also has training in pharmaceutical formulations.” *Id.* The Federal Circuit agreed and held that the district court clearly erred in finding otherwise.

In so holding, the Federal Circuit explained that factors that may be considered in determining the level of ordinary skill in the art include: (1) the educational level of the inventor; (2) the types of problems encountered in the art; (3) prior art solutions to those problems; (4) rapidity with which innovations are made; (5) sophistication of the technology; and (6) educational level of active workers in the field. It observed that these factors are not exhaustive, but are merely a guide to determining the level of ordinary skill in the art. Applying these factors, the Federal Circuit noted that the inventors of the ’741 patent were specialists in drug and ear treatments, and not general practitioners or pediatricians. Additionally, noted the Court, others working in the same field as the inventors of the ’741 patent were of the same skill level. Furthermore, in developing the invention, the inventors tested it on guinea pigs, methodology that the Federal Circuit found to be generally outside the realm of a general practitioner or pediatrician. The Court further noted that while a general practitioner or pediatrician could, and would, prescribe the invention of the ’741 patent to treat ear infections, he would not have the training or knowledge to develop the method without the sort of specialty training that the ’741 patent inventors possessed. Accordingly, the Federal Circuit concluded that the level of ordinary skill in the art applicable to the ’741 patent is that of “a person engaged in developing pharmaceutical formulations and treatment methods for the ear or a specialist in ear treatments such as an otologist, otolaryngologist, or otorhinolaryngologist who also has training in pharmaceutical formulations.” *Id.* at 5.

The Court next turned to the question of whether the invention of the ’741 patent would have been obvious to one of ordinary skill in the art at the time of the invention. It noted that the district court’s error in determining the level of ordinary skill in the art of the ’741 patent “tainted its obviousness analysis.” *Id.* at 6. In view of the

correct level of skill in the art and the evidence of record, it concluded that, as a matter of law, the '741 patent was invalid as obvious. The Court explained that it need not decide whether the claim term “effective to treat” should include not only efficacy but safety because the evidence demonstrated that in view of the correct level of skill in the art, using a topical formulation of ofloxacin to treat ear infections was not only obvious but safe.

Specifically, the Court found the '741 patent obvious in view of an article published in 1986 by Horst Ganz (“the Ganz reference”). The Court noted that the Ganz reference taught the successful use of ear drops containing ciprofloxacin to treat middle ear infections. It noted that Apotex’s expert testified that ofloxacin was in the same family of antibiotics as ciprofloxacin, and that someone of ordinary skill in the art, e.g., an otologist, would believe it to be highly likely that ofloxacin could also be used safely to treat middle ear infections. It observed that Daiichi failed to dispute Apotex’s expert testimony, relying instead on its own expert, who stated that the Ganz reference would not convey the same teaching to someone of lower skill in the art, such as a general practitioner or pediatrician. It noted that Daiichi’s evidence was, however, based on an incorrect determination of the level of ordinary skill in the art. In view of this evidence, the Federal Circuit held that the invention of the '741 patent would have been obvious to one having ordinary skill at the time of the invention and reversed the district court’s judgment.

No Infringement by Equivalents Where Specification Criticized Prior Art Attachment Means

Hayley S. Weimer

Judges: Newman, Rader, Dyk (author)

[Appealed from W.D.N.C., Judge Conrad]

In *L.B. Plastics, Inc. v. Amerimax Home Products, Inc.*, No. 06-1465 (Fed. Cir. Sept. 12, 2007), the Federal Circuit affirmed the district court’s claim construction and grant of SJ of noninfringement.

“[W]hen a specification excludes certain prior art alternatives from the literal scope of the claims and criticizes those prior art alternatives, the patentee cannot then use the doctrine of equivalents to capture those alternatives.” Slip op. at 9.

U.S. Patent No. 6,463,700 (“the ’700 patent”) relates to gutter guards, which can be attached to a conventional gutter in order to filter out dirt, leaves, and other debris from the flow of water. During prosecution, independent claim 1 was amended to recite a gutter guard comprising, among other elements, “a continuous heat weld defining an uninterrupted longitudinal weld line.” Claim 1 is representative of the other two independent claims, which both require that the guard panel be welded to the mesh layer and that the resulting “weld line” be “continuous.” The specification of the ’700 patent criticizes prior art attachment means, stating that “[t]he attachment means used in other prior art gutter guards incorporating multiple layers is generally less effective, and more costly, time consuming, and labor intensive.”

L.B. Plastics, Inc. (“L.B. Plastics”) sued Amerimax Home Products, Inc. (“Amerimax”), alleging that Amerimax’s competing gutter guard infringed the ’700 patent. L.B. Plastics argued that Amerimax’s gutter guards literally infringed the ’700 patent because the “continuous heat weld” limitation of the patent was broad enough to encompass the hot glue adhesive used by Amerimax. Alternatively, L.B. Plastics claimed that the “continuous heat weld” limitation of the ’700 patent and Amerimax’s hot glue adhesive were equivalent.

The district court granted Amerimax’s motion for SJ of noninfringement. Regarding literal infringement, the district court determined that the Amerimax products did not involve a “heat weld” or “welding,” as the ’700 patent required. The district court determined that, properly construed, these terms import a requirement that the attachment “fuse” to the guard panel. The district court relied on the specification and standard dictionaries. Because Amerimax’s products did not involve fusing, they did not literally infringe the ’700 patent.

The district court then considered infringement under the DOE and held in favor of Amerimax under two rationales. First, welding and gluing are not equivalent because they accomplish a different result in a different way. Welding allows molecules of two objects to interface, whereas gluing introduces a third substance. Second, prosecution history estoppel precluded L.B. Plastics from invoking the DOE, namely, L.B. Plastics had knowledge of other means of attachment, but limited its claims to “hot weld[ing]” or “welding” the layers of its gutter guard.

On appeal, the Federal Circuit affirmed the district court’s claim construction and grant of SJ of noninfringement, both literally and under the DOE. Because of the scarcity of intrinsic evidence, the Federal Circuit relied on general and technical dictionaries to confirm the claim construction of the term “weld.” Having found that the district court properly construed the term, the Federal Circuit then turned to infringement. The Federal Circuit first affirmed the district court’s grant of SJ regarding literal infringement, citing the district court’s proper claim construction.

Regarding the DOE, the Federal Circuit reiterated its own precedent that held “that when a specification excludes certain prior art alternatives from the literal scope of the claims and criticizes those prior art alternatives, the patentee cannot then use the doctrine of equivalents to capture those alternatives.” Slip op. at 9. Applying that principle to the facts, the Federal Circuit recognized that the specification of the ’700 patent criticizes prior art attachment means, namely, it describes prior art attachment means as “less effective, and more costly, time consuming, and labor intensive.” Moreover, the Court found that “[t]here is no question but that the prior art attachment means included adhesives; thus the specification must be read to criticize the use of adhesives as attachment means.” *Id.* at 10. Accordingly, L.B. Plastics could not use the DOE to include adhesive attachments. The Federal Circuit thus affirmed the district court’s grant of SJ of noninfringement.

A Court May Grant a *Pro Se* Litigant Leeway on Procedural Matters Such as Pleading Requirements

Ningling Wang

Judges: Michel, Archer (author), Dyk (concurring-in-part and dissenting-in-part)

[Appealed from S.D. Tex., Judge Hughes]

In *McZeal v. Sprint Nextel Corp.*, No. 06-1548 (Fed. Cir. Sept. 14, 2007), the Federal Circuit vacated the district court’s dismissal of Alfred McZeal, Jr.’s complaint, finding that he had met the minimal pleading requirements for his patent and trademark infringement claims, and remanded for further proceedings.

McZeal sued Sprint Nextel Corporation and Nextel Communications, Inc. (collectively “Sprint Nextel”) alleging, *inter alia*, patent and trademark infringement. His complaint was ninety-five pages long, not including additional exhibits, and contained twenty-four counts. Specifically, McZeal alleged that Sprint Nextel infringed his service mark INTERNATIONAL WALKIE TALKIE and U.S. Patent No. 6,763,226 (“the ’226 patent”). As part of his complaint, McZeal filed a motion for a temporary restraining order, a preliminary injunction, a permanent injunction, and a request for an expedited hearing. The district court conducted a hearing shortly after the complaint was filed. During the hearing, the district court questioned McZeal on the exact nature of his claims and the nature of other lawsuits he had filed. Following the district court’s prompting, Sprint Nextel orally moved to dismiss for failure to state a claim. The district court concluded that McZeal’s complaint failed to state a claim and subsequently denied his request to amend the complaint. McZeal appealed.

On appeal, the Federal Circuit noted that a motion to dismiss for failure to state a claim upon which relief can be granted is a purely procedural question and applied the law of the regional circuit

(here, the Fifth Circuit). The Court observed that under Fifth Circuit law, the central issue is whether, in a light most favorable to the plaintiff, the complaint states a valid claim for relief. It added that under Rule 12(b)(6) of the Federal Rules of Civil Procedure, a claim may be dismissed when a plaintiff fails to allege any set of facts in support of his claim that would entitle him to relief.

The Court reasoned that “[w]here as here, a party appeared *pro se* before the trial court, the reviewing court may grant the *pro se* litigant leeway on procedural matters, such as pleading requirements.” Slip op. at 3. It explained that the Supreme Court has recognized this less demanding standard because “[a]n unrepresented litigant should not be punished for his failure to recognize subtle factual or legal deficiencies in his claims.” *Id.* at 4 (alteration in original) (citations omitted). The Court noted that the Fifth Circuit echoes this standard, but that regardless of whether the plaintiff is proceeding *pro se* or is represented by counsel, “conclusory allegations or legal conclusions masquerading as factual conclusions will not suffice to prevent a motion to dismiss.” *Id.* (citation omitted).

The Federal Circuit noted that the Supreme Court has explained what is necessary for a claimant to state a claim: “Federal Rule of Civil Procedure 8(a)(2) requires only ‘a short and plain statement of the claim showing that the pleader is entitled to relief,’ in order to ‘give the defendant fair notice of what the . . . claim is and the grounds upon which it rests.’” *Id.* (citation omitted). The Court stated that it “logically follows that a patentee need only plead facts sufficient to place the alleged infringer on notice as to what he must defend,” and that “a plaintiff in a patent infringement suit is not required to specifically include each element of the claims of the asserted patent.” *Id.* at 5.

Applying these principles to the present case, the Federal Circuit noted that in his complaint, McZeal asserted ownership of the ’226 patent, named Sprint Nextel as defendants, alleged the ’226 patent as infringed, described the means by which Sprint Nextel allegedly infringed, and pointed to the specific parts of the patent law invoked. It held that McZeal’s complaint contained enough detail to allow the defendants to answer and, thus, met the notice pleading required

to survive a Rule 12(b)(6) motion, and that nothing more was required.

In so holding, the Court noted that during the hearing before the district court, McZeal had conceded that he did not know what device, what mechanism, or what means Sprint Nextel used to transmit and connect its telephone customers to the rest of the world. However, noted the Court, the specifics of how Sprint Nextel’s purportedly infringing device works should be determined through discovery.

With respect to McZeal’s claim of trademark infringement, the Court noted that “a plaintiff must plead that a defendant uses a designation in interstate commerce and in connection with goods or services where the designation is likely to cause confusion, mistake, or deception as to the affiliation, connection, or association of the defendant with another person, and the plaintiff has been or is likely to be damaged by these acts.” *Id.* at 7. The Court observed that McZeal had alleged that Sprint Nextel uses and advertises INTERNATIONAL WALKIE TALKIE for “identical telecom services and products, which are confusingly similar to plaintiff’s,” that Sprint Nextel’s improper use of the INTERNATIONAL WALKIE TALKIE mark “has caused and is likely to continue to cause members of the public to believe that the Defendant’s telephone services are offered by way of a license or other agreement with Plaintiff, which in fact they are not,” and that Sprint Nextel’s services are “causing irreparable economic loss to the plaintiff and affiliates.” *Id.* at 7-8 (citations omitted). In view of these allegations, the Court ruled that McZeal had “indeed pled the required elements of a trademark infringement claim.” *Id.* at 8.

“Where, as here, a party appeared *pro se* before the trial court, the reviewing court may grant the *pro se* litigant leeway on procedural matters, such as pleading requirements.” Slip op. at 3.

“Under the majority opinion it is now sufficient to simply allege in the complaint that the patent is infringed by the defendant’s sale of a particular product without even specifying which specific claims are alleged to be infringed or the features of the accused device that satisfy the limitations of these claims.” Dyk op. at 8.

In addition, the Federal Circuit vacated as premature the district court's holding that McZeal's trademark was invalid as generic. It noted that at this stage in the litigation, this finding on its face was insufficient because whether a term is generic is a question of fact.

The Federal Circuit noted that by ruling in McZeal's favor, it was not condoning his method of pleading. It explained that McZeal was no stranger to legal proceedings, having filed numerous complaints in the past and having many dismissed for failure to state a claim. It observed that in this case, McZeal had filed a voluminous complaint with multiple counts, many of which were baseless and frivolous. The remand, noted the Court, will provide an opportunity for the district court to require McZeal to delineate his patent and trademark infringement claims and the evidence supporting these claims. The Court added that the district court can then construe the claims and entertain SJ motions.

Finally, the Federal Circuit noted that McZeal's complaint certainly did not contain enough facts for the temporary restraining order and injunctions that he sought with his complaint, and that any motion for this relief was properly denied by the district court. However, noted the Court, the district court should not have dismissed McZeal's entire complaint because he met the low bar for *pro se* litigants to avoid dismissal on the basis of Fed. R. Civ. P. 12(b)(6). Accordingly, the Court vacated and remanded.

Judge Dyk agreed with the majority's decision to vacate and remand with respect to the claim of trademark infringement, but dissented from the majority's decision to vacate the dismissal of the patent infringement claim. Judge Dyk noted that McZeal's complaint only appeared to assert infringement under the DOE and that McZeal failed to explain how the accused device infringed under the DOE in his complaint or at the hearing before the district court.

Judge Dyk noted that Federal Rule of Civil Procedure 8(a) requires litigants to set forth "a short and plain statement of the claim showing the pleader is entitled to relief" and that Form 16, entitled "Complaint for Infringement of Patent," provides an example of a sufficient pleading in a patent infringement suit. In his view, a bare

allegation of literal infringement using Form 16 is inadequate to provide sufficient notice to an accused infringer under a theory of literal infringement because the form fails to state which claims are asserted and which features of the accused device are alleged to infringe the limitations of those claims. However, he agreed that under Rule 84 of the Federal Rules of Civil Procedure, which provides that the forms contained in the Appendix of Forms are sufficient, the Court would be required to find that a bare allegation of literal infringement in accordance with Form 16 is sufficient under Rule 8 to state a claim. He opined, however, that "[o]ne can only hope that the rulemaking process will eventually result in eliminating the form, or at least in revising it to require allegations specifying which claims are infringed, and the features of the accused device that correspond to the claim limitations." Dyk op. at 4.

Judge Dyk noted that the pertinent question here, however, was whether Form 16 should be read to apply to claims under the DOE. In his view, it should not be so read because Form 16 became effective in 1938, which is prior to the current DOE standard articulated by the Supreme Court in *Graver Tank & Manufacturing Co. v. Linde Air Products Co.*, 339 U.S. 605 (1950), and that the Supreme Court in its recent decision in *Bell Atlantic Corp. v. Twombly*, 127 S. Ct. 1555 (2007), suggested that the forms should not be interpreted as extending beyond the fact situation described in the form. He noted that McZeal's complaint utterly failed to provide any meaningful notice as to how Sprint Nextel infringed the claims under the DOE and that McZeal's allegations were plainly insufficient to state a claim.

Judge Dyk wrote that "[u]nder the majority opinion it is now sufficient to simply allege in the complaint that the patent is infringed by the defendant's sale of a particular product without even specifying which specific claims are alleged to be infringed or the features of the accused device that satisfy the limitations of these claims." Dyk op. at 8. He noted that the Federal Circuit has consistently held that, under the DOE, to create an issue of material fact, a patentee must prove infringement on a limitation-by-limitation basis by submitting particularized testimony. While pleading requirements are less strict, noted Judge Dyk, this case underscored the need to supply

some specificity in both alleging and proving a DOE claim.

Judge Dyk added that “[t]he majority’s remand [was] particularly puzzling since McZeal’s failure to investigate the accused device may indeed be sanctionable.” *Id.* at 9. Accordingly, in his view, McZeal failed to allege facts supporting a DOE claim and he would affirm the district court’s dismissal of McZeal’s DOE infringement claim.

Corroborating Testimony and Documentation Was Sufficient to Show Prior Art Device Was on Sale

Timothy P. McAnulty

Judges: Michel, Lourie (author), Robertson (District Judge sitting by designation)

[Appealed from E.D. Wisc., Judge Curran]

In *Adenta GmbH v. OrthoArm, Inc.*, Nos. 06-1571, -1598 (Fed. Cir. Sept. 19, 2007), the Federal Circuit affirmed the district court’s denial of OrthoArm, Inc.’s (“OrthoArm”) motion to dismiss for lack of subject matter jurisdiction. The Federal Circuit also held that substantial evidence supported the jury’s verdict that the asserted claims of U.S. Patent No. 6,257,883 (“the ’883 patent”) were invalid based on a public use or sale under 35 U.S.C. § 102(b). Lastly, the Federal Circuit affirmed the district court’s decision that no inequitable conduct was shown.

Dr. John Voudouris was the president of OrthoArm and the inventor of the ’883 patent, which is directed to an orthodontic bracket. He assigned the ’883 patent to OrthoArm. OrthoArm subsequently sued American Orthodontics Corporation (“American”) for infringement of the ’883 patent based on American’s sale of brackets known as the “Time” bracket. American manufactured and distributed Time brackets for Adenta GmbH (“Adenta”). Under a settlement agreement, OrthoArm assigned the ’883 patent to American in exchange for a royalty for its bracket sales. Adenta agreed to pay a portion of American’s royalty obligation that it owed to OrthoArm for the sales of the Time bracket.

American agreed to pay OrthoArm under a royalty-sharing agreement. American also authorized Adenta to sell another orthodontic bracket known as the “Evolution” bracket in exchange for an additional royalty. Adenta later informed American and OrthoArm that it believed the ’883 patent to be invalid and that it

would stop paying royalties on both the Time and Evolution brackets. American responded in a letter stating that failing to pay royalties would breach the license agreement and that American would “pursue its available legal remedies to protect its rights.” Adenta then filed suit seeking a DJ that the ’883 patent was invalid and unenforceable. OrthoArm moved to dismiss the suit for lack of subject matter jurisdiction on the ground that Adenta never had a reasonable apprehension that it would be sued by American, and that Adenta and American conspired to contest the validity of the ’883 patent. The district court denied the motion and the case proceeded to trial on the invalidity and unenforceability issues. A jury returned a verdict in favor of Adenta invalidating the ’883 patent by Adenta’s public use or sale of its Time bracket at a tradeshow more than one year before the filing of the ’883 patent. The jury also found that Voudouris did not commit inequitable conduct by withholding material information from the PTO. The district court denied OrthoArm’s motion for JMOL regarding the invalidity verdict. The district court also denied Adenta’s request for a DJ that the case was exceptional because there was insufficient evidence of intent to deceive the PTO.

On appeal, the Federal Circuit affirmed the district court’s conclusion that DJ jurisdiction existed in this case. Quoting *MedImmune, Inc. v. Genentech, Inc.*, 127 S. Ct. 764, 771 (2007), the Federal Circuit explained that DJ jurisdiction is proper when “the facts alleged, under all the circumstances, show that there is a substantial controversy, between parties having adverse legal

“[B]asically, the question in each case is whether the facts alleged, under all the circumstances, show that there is a substantial controversy, between parties having adverse legal interests, of sufficient immediacy and reality to warrant the issuance of a declaratory judgment.” Slip op. at 9 (quoting *MedImmune, Inc. v. Genentech, Inc.*, 127 S. Ct. 764, 771 (2007)).

interests, of sufficient immediacy and reality to warrant the issuance of a declaratory judgment.” Slip op. at 9. Relying on that standard, the Court concluded that a case or controversy arose from Adenta informing American that it believed the ’883 patent to be invalid and that it would stop paying royalties, from American indicating that it would assert its right in the ’883 patent if Adenta failed to pay royalties, and from Adenta actually stopping royalty payments on the Evolution bracket. Additionally, the Court held that American’s failure to file an infringement counterclaim did not deprive the district court of jurisdiction and that there was no reason to disturb the district court’s findings that American and Adenta did not contrive to invalidate the ’883 patent and had adverse interests.

The Court also found that there was sufficient evidence to support the jury’s verdict that the Time bracket was publicly used or on sale at a tradeshow more than one year before the ’883 patent was filed. The Court acknowledged that “a patent cannot be invalidated based on one person’s testimony alone without corroborating evidence, particularly documentary evidence.” *Id.* at 13. The Court noted, however, that “[h]ere there were a number of statements made by different witnesses, all corroborating each other, accompanied by various supportive and consistent documents.” *Id.* Of the five witnesses testifying that the Time bracket was publicly displayed at the tradeshow, three witnesses were uninterested, including Voudouris, the inventor of the ’883 patent and the president of OrthoArm. The Federal Circuit noted that the district court made credibility determinations as to each of the witnesses, and it had no basis to disturb those determinations. The Court thus concluded that “[c]onsidering all of the evidence presented, we agree with the district court that a reasonable fact finder could have concluded that clear and convincing evidence showed that a public use or sale of the Time bracket occurred at the 1994 Florida trade show.” *Id.* at 15.

Finally, the Court affirmed the district court’s decision finding that no inequitable conduct was shown and that the case was not exceptional. Specifically, the Court noted that the district court was entitled to believe Voudouris’s testimony and to assume that Voudouris acted in good faith in

believing that the Time bracket was cumulative to another patent that Voudouris did disclose during prosecution.

A Party Must Hold All Legal Rights or Exclusionary Rights to a Patent to Have Constitutional Standing to Sue for Infringement

Robert E. McBride

Judges: Prost (dissenting), Plager, Moore (author)

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

In *Morrow v. Microsoft Corp.*, Nos. 06-1512, -1518, -1537 (Fed. Cir. Sept. 19, 2007), the Federal Circuit reversed the district court’s finding that the plaintiff had standing to sue Microsoft Corporation (“Microsoft”) for patent infringement and, as a result, held that the district court lacked jurisdiction and vacated its infringement rulings.

At Home Corporation (“AHC”), a provider of Internet services, went through Chapter 11 bankruptcy proceedings in 2001. During the bankruptcy proceedings, AHC’s creditors entered into a settlement agreement, which was incorporated into a liquidation plan. The resulting liquidation plan created three entities to represent the rights of various creditors: (1) the General Unsecured Creditors’ Liquidating Trust (“GUCLT”), (2) the At Home Liquidating Trust (“AHLT”), and (3) the Bondholders Liquidating Trust (“BHLT”). The liquidation plan distributed certain assets and rights among the trusts. BHLT received the rights to causes of actions against AHC’s controlling shareholders. GUCLT received the rights to all other causes of action, including claims for infringement of AHC’s patents. AHLT received legal title to AHC’s intellectual property, including U.S. Patent No. 6,122,647 (“the ’647 patent”).

Frank A. Morrow and Hank M. Spacone (collectively Spacone) were appointed as former and current trustees, respectively, for GUCLT. In 2003, Spacone sued Microsoft for infringement of the ’647 patent. Microsoft answered and asserted

counterclaims against Spacone and Jacquelyn Crawford, trustee for AHLT, seeking a declaration of noninfringement, invalidity, and unenforceability of the '647 patent. Microsoft then filed a motion for SJ contending that GUCLT lacked standing and Spacone filed a cross-motion for SJ contending that it had standing. The district court denied Microsoft's motion and granted Spacone's cross-motion, concluding that GUCLT had standing to sue under bankruptcy law principles and based on its trust beneficiary status. Subsequently, in response to SJ motions, the district court held that the '647 patent was invalid and not infringed. Spacone and Crawford appealed, and Microsoft cross-appealed the district court's determination of standing.

On appeal, the Federal Circuit considered, as a threshold matter, the district court's determination that bankruptcy principles governed the standing inquiry in this case. The Court noted that the question as to how bankruptcy or trust law relationships affect the standing analysis was a question of first impression. It noted that GUCLT and AHLT certainly gained rights to the '647 patent through the bankruptcy proceeding, but that this suit was filed pursuant to and is governed by patent laws. It observed that "[t]he patent statutes govern the creation and protection of patent rights, how rights can be transferred, and the parties entitled to assert those rights." Slip op. at 6. It explained that while bankruptcy courts and courts of equity have the power to order assignment of legal title from the original owner to the receiver or trustee, "the patent statutes have long been recognized as the law that governs who has the right to bring suit for patent infringement, . . ." *Id.* at 7. Accordingly, the Court held that it must determine whether GUCLT had standing to sue Microsoft for patent infringement under the patent statutes.

To determine whether GUCLT had standing, the Federal Circuit stated that it must first understand GUCLT's rights to the '647 patent at the time this suit was initiated. The Court noted that AHC owned the '647 patent before the effective date of the liquidation plan and that after the effective date, AHC's assets, rights, obligations, and causes of action were divided among GUCLT, BHLT, and AHLT. The Court observed that GUCLT was given the right to bring suit on intellectual property assets, but that it did not hold the right to make,

use, or sell the invention of the '647 patent, much less the exclusive right to do any of these things with the patented technology. Additionally, noted the Court, GUCLT was not given the right to grant licenses or sublicenses under the '647 patent or collect any licensing royalties. The Court found that it was "undisputed that AHLT [held] legal title to the '647 patent and all the 'sticks' in the 'bundle of rights' associated with the patent that were not specifically transferred to GUCLT." *Id.* at 9. It noted that AHLT held all rights to license the '647 patent and collect royalties, and that AHLT held the exclusive right to make, use, and sell the patented technology.

Given this disposition of patent rights between AHLT and GUCLT, the Court observed that to have standing, GUCLT must meet both constitutional and prudential standing requirements. It explained that Article III of the U.S. Constitution limits the judicial role to resolution of "cases" and "controversies." It noted that the standing inquiry enforces this constitutional restriction on the power of the courts. It stated that to demonstrate the minimal constitutional standing requirements have been satisfied, "[a] plaintiff must allege personal injury fairly traceable to the defendant's allegedly unlawful conduct and likely to be redressed by the requested relief." *Id.* at 9-10 (alteration in original) (citation omitted). It explained that these requirements have been described as the injury in fact, traceability, and redressability inquiries.

The Court noted that "[t]here are three general categories of plaintiffs encountered when analyzing the constitutional standing issue in patent infringement suits: those that can sue in their own name alone; those that can sue as long as the patent owner is joined in the suit; and those that cannot even participate as a party to an infringement suit." *Id.* at 11. The Court observed that the first category includes plaintiffs that hold all legal rights to the patent as the patentee or assignee of all patent rights—the entire bundle of sticks. It added that such a party that "holds all rights or all substantial rights" has standing to sue for infringement. *Id.* The second category of plaintiffs, noted the Court, holds exclusionary rights and interests created by the patent statutes, but not all substantial rights to the patent. The Court reasoned that parties that hold the exclusionary rights are often identified as

exclusive licenses because the grant of an exclusive license to make, use, or sell the patented invention carries with it the right to prevent others from practicing the invention. However, noted the Court, these exclusionary rights must be enforced through or in the name of the owner of the patent, and the patentee who transferred these exclusionary interests is usually joined to satisfy prudential standing concerns. The Court observed that the patentee is joined for the purpose of avoiding the potential of multiple litigations and multiple liabilities and recoveries against the same alleged infringer. Finally, the Court noted that the third category of plaintiffs includes those that hold less than all substantial rights to the patent and lack exclusionary rights under the patent statutes to meet the injury in fact requirement. The Court reasoned that “[t]hey are not injured by a party that makes, uses, or sells the patented invention because they do not hold the necessary exclusionary rights.” *Id.* at 13. The Court further noted that “[t]his standing deficiency cannot be cured by adding the patent title owner to the suit.” *Id.* at 13-14.

“The third category of plaintiffs includes those that hold less than all substantial rights to the patent and lack exclusionary rights under the patent statutes to meet the injury in fact requirement. . . . Plaintiffs in this category lack constitutional standing.”
Slip op. at 13.

With this framework in mind, the Court noted that the issue before it was whether GUCLT held exclusionary rights and suffered constitutional injury in fact. In holding that GUCLT lacked the requisite injury in fact and thus did not meet the constitutional standing requirements,

the Court noted that while GUCLT had been granted the right to sue certain infringers, it lacked exclusionary rights. The Court observed that AHLT was the patent title holder and held the right to sell the ’647 patent, grant exclusive and nonexclusive licenses, grant the right to sublicense, or transfer any of the rights that AHLT held to another party. The Court reasoned that the problem for GUCLT and AHLT was that the exclusionary rights had been separated from the right to sue for infringement. It observed that for any suit that GUCLT brings, its grievance is that the exclusionary interests held by AHLT are being violated. The Court added that GUCLT was not

the party to which the statutes granted relief and suffered no legal injury in fact to the ’647 patent’s exclusionary rights.

In addition, the Court noted that AHLT’s participation as a third-party defendant did not affect GUCLT’s standing to bring this suit. The Court found that “[t]o demonstrate entitlement to join as a *co-plaintiff* GUCLT must have the right to exclude others from making, using, or selling the invention in the United States.” *Id.* at 18. It noted that “the fact that AHLT ha[d] been brought into this case as a third party defendant [did] not cure GUCLT’s constitutional standing deficiencies.” *Id.* at 19. The Court reasoned that “[o]nly when a party holds the exclusionary rights to the patent but lacks all substantial rights may the party join the legal title owner in a suit to enforce patent rights.” *Id.* It stated that while joining the legal title holder may satisfy prudential standing requirements, it cannot cure constitutional standing deficiencies. Accordingly, the Court held that GUCLT failed to meet constitutional standing requirements and could not be a party to this suit for patent infringement. Because GUCLT lacked constitutional standing, the Court held that the district court lacked jurisdiction, reversed the district court’s decision concerning standing, and vacated its infringement rulings.

Judge Prost dissented. She agreed with the majority insofar as it held that GUCLT did not have standing to enforce the ’647 patent in its own name, but disagreed with the majority that GUCLT and AHLT, as coplaintiffs, lacked standing to sue Microsoft. She reasoned that the majority erred by excluding GUCLT from the second category of plaintiffs. She noted that GUCLT had no need to add AHLT because Microsoft’s counterclaims brought AHLT into the case, thus satisfying the prudential standing requirements. She opined that “[t]he majority narrowly define[d] the second category without any reasoned basis.” Prost Dissent at 3. According to her, while the majority effectively treated the second category as occupied by exclusive licenses, that category may properly include other types of plaintiffs. She would hold that GUCLT did suffer an injury in fact because it held an equitable interest in the title to the ’647 patent as beneficiary to AHLT and received the explicit right to sue as part of the bankruptcy agreement. Accordingly, she opined that while neither GUCLT nor AHLT individually may

pursue infringement litigation, she would not deprive the '647 patent of all value and would allow GUCLT and AHLT, as coplaintiffs, standing to sue Microsoft.

No Liability for Joint Infringement Where Party Did Not Control or Direct Each Step of the Claimed Method

Kay H. Hill

Judges: Rader (author), Gajarsa, Prost

[Appealed from N.D. Tex., Judge Lynn]

In *BMC Resources, Inc. v. Paymentech, L.P.*, No. 06-1503 (Fed. Cir. Sept. 20, 2007), the Federal Circuit affirmed the district court's grant of SJ of noninfringement to Paymentech, L.P. ("Paymentech") because Paymentech did not perform each step of the asserted method claims and did not direct or control the performance of each step of the asserted method claims.

BMC Resources, Inc. ("BMC") is the assignee of U.S. Patent Nos. 5,718,298 ("the '298 patent") and 5,870,456 ("the '456 patent"), which claim methods for processing debit card transactions without the use of a Personal Identification Number ("PIN"), also called PIN-less debit bill payment ("PDBP"). As claimed, these methods require action by different actors, including a remote payment card network, an agent of a payee, and a financial institution. For example, one asserted claim requires (1) "prompting the caller to enter a payment amount for [a] payment transaction," (2) "accessing a remote payment network," (3) "the accessed remote payment network determining . . . whether sufficient available credit or funds exist," and (4) "charging the entered payment amount against [an] account."

Paymentech processes PDBP transactions for clients in conjunction with merchants, debit networks, and financial institutions. Specifically, after a customer calls a merchant to pay a bill and the merchant collects payment information, the merchant sends the payment information to Paymentech, which routes the information to a

participating debit network. The debit network then forwards the information to a financial institution for authorization. If authorized, the financial institution charges the customer's account according to the payment information collected by the merchant. The financial institution communicates status information about the transaction to the debit network, and then, through Paymentech, to the merchant, who provides the customer with information about the transaction's status.

After BMC approached Paymentech and offered a license to its patents, Paymentech filed suit seeking a DJ of noninfringement.

The district court

granted SJ of noninfringement on the grounds that Paymentech did not itself perform all of the claimed method steps, and there was no evidence that Paymentech directed or controlled the behavior of the financial institutions that performed those claimed method steps that Paymentech did not perform. Nor was there any connection between Paymentech and the firms performing the additional claimed steps. Lacking any evidence of direct infringement, the district court further dismissed BMC's claims for contributory infringement and inducement.

On appeal, BMC argued that the district court's decision was contrary to *On Demand Machine Corp. v. Ingram Industries, Inc.*, 442 F.3d 1331 (Fed. Cir. 2006). BMC argued that in that case, the Federal Circuit sanctioned a finding of infringement by a party who performs some, but not all, steps of a method claim in cases where a patent claims an invention that cannot be performed by one person. BMC further argued that *On Demand* adopted a "participation and combined action" standard as the type of connection a plaintiff must show to prove joint infringement.

The Federal Circuit disagreed. Although in *On Demand*, the Court did not find any error in a jury instruction that merely required "participation and combined action," it did so without any analysis of the issues presented relating to divided infringement. Instead, *On Demand* primarily addressed a claim construction issue that governed

"[T]his court will not unilaterally restructure the claim or the standards for joint infringement to remedy these ill-conceived claims." Slip op. at 13.

the outcome of the case. The Federal Circuit thus agreed with the district court that *On Demand* did not change the traditional standard requiring a single party to perform all steps of a claimed method.

The Federal Circuit further explained that infringement requires, as it always has, a showing that a defendant has practiced each and every element of the claimed invention. Although indirect infringement provides liability for parties that participate but do not directly infringe a patent, indirect infringement, such as induced infringement, requires a predicate finding of direct infringement. A party cannot avoid infringement, however, simply by contracting out steps of a patented process to another entity. In those cases, the party in control would be liable for direct infringement.

While acknowledging that the standard requiring control or direction may, in some cases, allow parties to avoid infringement by arms-length agreements, the Federal Circuit reasoned that this concern does not outweigh concerns over expanding direct infringement to reach independent conduct of multiple actors. Direct infringement is a strict liability offense; indirect infringement under 35 U.S.C. § 271(b) and (c) requires a further showing of knowledge (contributory infringement) or specific intent (induced infringement). Applying BMC's proposed interpretation of *On Demand*, the Court added, a patentee would rarely, if ever, need to bring a claim for indirect infringement.

The Federal Circuit also emphasized that any concerns that a party can avoid infringement by arms-length cooperation can usually be offset by proper claim drafting. Specifically, the Federal Circuit reasoned that a patentee can usually structure a claim to capture infringement by a single party. Although BMC chose to have four different parties perform different acts within one claim, the Court refused to "unilaterally restructure the claim or the standards for joint infringement to remedy these ill-conceived claims." Slip op. at 13.

The Federal Circuit then reviewed the factual record and the relationships between Paymentech and the debit networks and financial institutions. According to the Federal Circuit, although BMC offered some evidence to establish a relationship

between Paymentech and the debit networks, BMC did not provide sufficient evidence to create a genuine issue of material fact that Paymentech directed or controlled the debit networks' actions. Specifically, the record indicated that Paymentech merely provided data (e.g., the payee's debit card number, name, amount of purchase) to the debit networks without providing any instructions or directions regarding how to use the data. The Federal Circuit found this was insufficient evidence of direction or control of the debit networks and further rejected BMC's unsupported argument that instructions could be inferred. Moreover, the Federal Circuit observed, BMC proffered even less evidence of Paymentech's direction or control of the financial institutions and did not establish that a contractual relationship existed between the two.

Accordingly, the Federal Circuit refused to hold Paymentech liable for the actions independently taken by the debit networks, financial institutions, and the payment services providers, and affirmed the district court's grant of SJ.

Business Method Claims Not Tied to a Computer or Apparatus Held to Be Unpatentable Subject Matter

Erika H. Arner

Judges: Michel, Dyk (author), Prost

[Appealed from the Board]

In *In re Comiskey*, No. 06-1286 (Fed. Cir. Sept. 20, 2007), the Federal Circuit affirmed the Board's decision rejecting claims to a mandatory arbitration process in U.S. Patent Application No. 09/461,742 by Stephen W. Comiskey. Although the Board had affirmed the examiner's rejections based on prior art under 35 U.S.C. § 103, the Federal Circuit did not consider that reasoning, but instead affirmed the rejections of the method claims on the grounds that they did not recite patentable subject matter under 35 U.S.C. § 101. The Court remanded the case to the PTO for further consideration of the system claims in the application.

Comiskey's application claimed methods and systems for performing mandatory arbitration resolution regarding one or more unilateral documents. The PTO examiner rejected the claims under 35 U.S.C. § 103(a) as obvious over a combination of prior art references. The rejections were affirmed by the Board, and Comiskey appealed to the Federal Circuit. Though the PTO had not rejected Comiskey's claims as unpatentable under 35 U.S.C. § 101, the Federal Circuit raised the issue during oral argument. In particular, Chief Judge Michel noted that the claims were broader than any computer-implemented system, and the judges wondered aloud whether method claims that do not require any machine or computer fall within the scope of section 101. After oral argument, the Federal Circuit requested supplemental briefing on the section 101 issue.

In its decision, the Court expressly did not reach the obviousness rejections affirmed by the Board, instead finding that many of the claims were barred by the threshold requirement of compliance with section 101. The Court cited with favor the PTO's own Manual of Patent Examining Procedures as correctly treating the requirements of section 101 as a predicate to the other requirements for patentability, such as novelty and nonobviousness.

In its discussion, the Court first addressed Comiskey's argument that the issue of patentable subject matter could not properly be raised by the reviewing Court. Although Comiskey admitted at oral argument that the Federal Circuit could affirm the claim rejections based on section 101, he argued in his supplemental brief that the Court was limited to reviewing the Board's decision based on the record before the PTO, citing the Administrative Procedure Act. The Court rejected this argument and cited the Supreme Court's holding in *Securities & Exchange Commission v. Chenery Corp.*, 318 U.S. 80 (1943), that a reviewing court can, and should, affirm an agency decision on legal grounds not relied on by the agency when there is no issue of fact, policy, or agency expertise. Noting that whether claims recite statutory subject matter under section 101 is a question of law reviewed without deference, the Court continued with its analysis.

Beginning with the constitutional provision authorizing Congress to grant patents to promote the "useful Arts," the Court examined the scope of subject matter that falls within the four categories set forth in the Patent Act of 1952, i.e., any new and useful process, machine, manufacture, or composition of matter. While patentable subject matter under the Act is "extremely broad," the Court noted that not every process is patentable. For example, the Court continued, the unpatentable nature of abstract ideas has been repeatedly confirmed. Slip op. at 16.

Regarding the prohibition against patenting abstract ideas, the Court stated that the requirements of section 101 have long meant that an abstract concept with no claimed practical application is not patentable. Going one step further, the Court stated that "a claim reciting an algorithm or abstract idea can state statutory subject matter only if, as employed in the process, it is embodied in, operates on, transforms, or otherwise involves another class of statutory subject matter, i.e., a machine, manufacture, or composition of matter." *Id.* at 17.

The Court next analyzed Supreme Court cases finding an algorithm patentable if it is tied to a machine or if it acts to transform subject matter to a different state or thing. *Diamond v. Diehr*, 450 U.S. 175 (1981); *Cochrane v. Deener*, 94 U.S. 780 (1876); *Tilghman v. Proctor*, 102 U.S. 707 (1880). The Court also examined several of its previous decisions, stressing that the mathematical algorithms in earlier cases were found to be patentable because they claimed practical applications and were tied to specific machines. *State Street Bank & Trust Co. v. Signature Fin. Group, Inc.*, 149 F.3d 1368 (Fed. Cir. 1998); *In re Alappat*, 33 F.3d 1526 (Fed. Cir. 1994); *AT&T Corp. v. Excel Commc'ns, Inc.*, 172 F.3d 1352 (Fed. Cir. 1999). "Thus," held the Court, "a claim that involves both a mental process and one of the other categories of statutory subject matter (i.e., a machine, manufacture, or composition) may be patentable under § 101." Slip op. at 18.

Considering the nature of business method patents, the Court noted that business methods are "subject to the same legal requirements for patentability as applied to any process or method," including section 101. *State Street Bank*, 149 F.3d at 1375.

Therefore, according to the Court, “the present statute does not allow patents to be issued on particular business systems—such as a particular type of arbitration—that depend entirely on the use of mental processes.” Slip op. at 21.

Turning to Comiskey’s application, the Court held that the claims reciting methods for mandatory arbitration resolution, which Comiskey admitted did not recite any computer or other apparatus, were impermissible attempts to patent the use of “human intelligence in and of itself.” *Id.* at 22. Thus, the Court affirmed the rejections of Comiskey’s method claims on the grounds that they were drawn to unpatentable abstract ideas rather than falling within a statutory category.

Finally, the Court held that Comiskey’s system claims, which did recite computer components, were patentable subject matter under section 101. However, the Court found that the independent system claims “at most merely add a modern general purpose computer to an otherwise unpatentable mental process and [the dependent claims] merely add modern communication devices.” *Id.* at 24. Citing *Leapfrog Enterprises v. Fisher-Price, Inc.*, 485 F.3d 1157, 1161 (Fed. Cir. 2007), the Court remanded the case to the PTO, warning that “[t]he routine addition of modern electronics to an otherwise unpatentable invention typically creates a prima facie case of obviousness.” Slip op. at 24. The Court also noted that its remand would afford Comiskey the opportunity to amend his application in light of the section 101 issues first raised on appeal.

District Court Abused Its Discretion by Enjoining Patentee’s Communications Where Assertions Were Not Objectively Baseless

Allison E. Green

Judges: Newman, Lourie (author), Prost

[Appealed from D. Neb., Judge Bataillon]

In *GP Industries, Inc. v. Eran Industries, Inc.*, No. 07-1087 (Fed. Cir. Sept. 20, 2007), the Federal Circuit reversed the district court’s entry of a

preliminary injunction enjoining Eran Industries, Inc. (“Eran”) from future correspondence with present and potential customers during the pendency of the litigation. The Federal Circuit held that “because GPI cannot show that Eran’s assertions were objectively baseless, the bad faith standard cannot be satisfied, and the court therefore erred in enjoining Eran from giving notice of its patent rights to potential infringers.” Slip op. at 10.

Eran is the assignee of U.S. Patent No. 5,557,891 (“the ’891 patent”) related to a rain gutter cover. GP Industries, Inc. (“GPI”) was created by former employees of Eran, and is also in the business of developing and marketing gutter covers.

Eran sent letters to distributors and contractors providing notice of GPI’s plans to manufacture and sell a gutter cover that would infringe the ’891 patent. The letters also warned that Eran would take all necessary steps to stop the infringement by GPI and anyone who purchased infringing gutter cover products from GPI. In response, GPI filed a DJ action of noninfringement, invalidity, and enforceability of the ’891 patent, as well as tortious interference with business relationships, and violations of the Nebraska Deceptive Trade Practices Act. GPI subsequently filed a motion for a preliminary injunction requesting that the district court enjoin Eran from “(1) seeking to prevent GPI from making and selling its gutter products during the pendency of this litigation and (2) making vague and unspecified allegations of infringement against GPI in the marketplace.” *Id.* at 3.

“[A]n injunction against communication is strong medicine that must be used with care and only in exceptional circumstances.” Slip op. at 7.

Eran sent another letter to distributors and contractors threatening that Eran “will consider naming your company as an additional defendant unless you either demonstrate that your company is not selling or offering for sale the Leaf-X and Leafree products or agrees to promptly forever cease selling or offering for sale those products.” *Id.* The district court considered Eran’s two letters when granting GPI’s motion for a preliminary injunction. The district court determined that

“Eran’s activities approach the bad-faith threshold” and “are particularly scurrilous, accusatory and threatening.” *Id.* at 4. Eran appealed.

On appeal, the Federal Circuit first noted the rarity of granting an injunction against communicating one’s patent rights, instructing that “[t]his is not a grant or denial of an injunction against infringement, but an injunction against communication, a much more serious matter. One has a right to inform others of his or her patent rights. Thus, an injunction against communication is strong medicine that must be used with care and only in exceptional circumstances.” *Id.* at 7 (citation omitted).

The Federal Circuit then concluded that the district court abused its discretion in granting the preliminary injunction against Eran’s communicating with customers and potential customers about its patent rights. The Court explained that the patent laws permit providing notice regarding patent rights and potentially infringing activity unless the communication is made in bad faith. In *Globetrotter Software, Inc. v. Elan Computer Group, Inc.*, 362 F.3d 1367, 1375 (Fed. Cir. 2004), the Federal Circuit announced that the bad-faith requirement cannot be met without a showing that the claims asserted were objectively baseless.

The Federal Circuit concluded that the district court failed to consider whether the patentee’s assertions were “objectively baseless.” Indeed, the Federal Circuit cited the district court’s own statements that “[a]t this stage of the proceedings, it cannot be said that either one side or the other will prevail on the ultimate issues” and “the validity of Eran’s patent presents a close question.” Slip op. at 9 (alteration in original). The Federal Circuit further found that the district court’s analysis of bad faith encompassed irrelevant subjective considerations and unconvincing objective factors. For example, the Federal Circuit concluded that the president of a company does not necessarily need to examine an accused product or seek expert advice on a product as uncomplicated as a gutter cover. Moreover, the Federal Circuit did not agree with the district court’s characterization of Eran’s letters as scurrilous. The Federal Circuit therefore found that the grant of the preliminary injunction was improper.

Claims Directed to “[a] Signal with Embedded Supplemental Data” Are Not Patentable Under 35 U.S.C. § 101

Rachel L. Emsley

Judges: Gajarsa (author), Linn (concurring-in-part and dissenting-in-part), Moore

[Appealed from the Board]

In *In re Nuijten*, No. 06-1371 (Fed. Cir. Sept. 20, 2007), the Federal Circuit affirmed the decision of the Board in which the Board had rejected “signal” claims in Petrus A.C.M. Nuijten’s application as unpatentable subject matter outside the scope of 35 U.S.C. § 101. The Federal Circuit held that “[a] transitory, propagating signal like Nuijten’s is not a ‘process, machine, manufacture, or composition of matter’” and that since “[t]hose four categories define the explicit scope and reach of subject matter patentable under . . . § 101[,] . . . such a signal cannot be patentable subject matter.” Slip op. at 18.

Mr. Nuijten’s patent application discloses a technique for reducing distortion induced by the introduction of “watermarks” into signals. In the context of signal processing, watermarking is a technique by which an original signal (such as a digital audio file) is manipulated so as to embed within it additional data. This ability to encode additional data into a signal is useful to publishers of sound and video recordings, who can use watermarks to embed in the media information intended to protect that media against unauthorized copying. Mr. Nuijten’s technique improves existing watermark technology by further modifying the watermarked signal in a way that partially compensates for distortion introduced by the watermark.

Mr. Nuijten’s application included claims to “[a] method of embedding supplemental data in a signal,” “[a]n arrangement for embedding supplemental data in a signal,” “[a] storage medium having stored thereon a signal with embedded supplemental data,” and “[a] signal with embedded supplemental data.” *Id.* at 5-6. The PTO allowed the method and “arrangement” claims, but rejected the “storage medium” and “signal” claims as directed to nonstatutory subject

matter under § 101. In addition, the PTO rejected some of the claims for obviousness type double patenting. On appeal, the Board reversed the double patenting rejections and found the “storage medium” claim to be statutory. However, the Board affirmed the examiner’s § 101 rejections of the “signal” claims. Mr. Nuijten appealed.

On appeal, the Federal Circuit first addressed the issue of whether Mr. Nuijten’s “signal” claims were limited to covering only physical instances of signals, or whether they also covered intangible, immaterial strings of abstract numbers. The Court reasoned that “[a] ‘signal’ implies signaling—that is, the conveyance of information” and that “[t]o convey information to a recipient[,] a physical carrier, such as an electromagnetic wave, is needed.” *Id.* at 9. Thus, the Court noted that in order to be a “signal,” as required by the claims, “some carrier upon which the information is embedded [was] required.” *Id.* at 9-10. At the same time, however, the Court noted that while the claims were limited so as to require some physical carrier of information, they did not in any way specify what carrier element was to be used. Accordingly, the Court concluded that “some physical form for the signal [was] required [by the claims], but any form will do, so long as a recipient can understand the message—the nature of the signal’s physical carrier [was] totally irrelevant to the claims at issue.” *Id.* at 10.

After construing the claims, the Federal Circuit addressed the issue of whether Mr. Nuijten’s “signal” claims were directed to statutory subject matter. It noted that Mr. Nuijten and the PTO agreed that the claims included “physical but transitory forms of signal transmission such as radio broadcasts, electrical signals through a wire, and light pulses through a fiber-optic cable, so long as those transmissions convey information encoded in the manner disclosed and claimed by Nuijten.” *Id.* at 11. The Court held that such transitory embodiments are not directed to statutory subject matter. In so holding, the Court noted that its “inquiry here, like that of the Board, will consider whether a transitory, propagating signal is within any of the four statutory categories: process, machine, manufacture, or composition of matter.” *Id.* The Court observed that in *State Street Bank & Trust Co. v. Signature Financial Group, Inc.*, 149 F.3d 1368, 1375 n.9 (Fed. Cir. 1998), it recognized that for claimed subject matter to be statutory, it must fall into at

least one of those four categories. In doing so, noted the Court, it was advising courts not to be concerned about debates over which of the four categories the subject matter falls into—that is, “not to be overly concerned with pigeonholing subject matter once the court assures itself that *some* category has been satisfied.” Slip op. at 11-12.

The Court then considered each of the four categories to determine whether Mr. Nuijten’s “signal” claims fell into any of them. Mr. Nuijten argued that a signal of the type covered by his claims was a “process” under that term’s statutory meaning, arguing both that a process need not be defined by reference to an act or series of steps, and that his signal claims did refer to the performance of acts. In rejecting these arguments, the Federal Circuit noted that “[t]he Supreme Court and [it has] consistently interpreted the statutory term ‘process’ to require action.” *Id.* at 13. In addition, it noted that although Mr. Nuijten’s claims recited that the signal was “encoded in accordance with a given encoding process,” such claims were still directed to the ultimate product, not the underlying process. *Id.* at 14. The Court observed that “[t]he presence of acts recited in the claim does not transform a claim covering a thing—the signal itself—into one covering the process by which that thing was made.” *Id.* Accordingly, the Court concluded that because a process claim must cover an act or series of acts and Mr. Nuijten’s “signal” claims did not, his claims were not directed to a process.

With respect to the “machine” category, the Court observed that the Supreme Court has defined the term “machine” as “a concrete thing, consisting of parts, or of certain devices and combination of devices.” *Id.* at 14 (citation omitted). It reasoned that “[a] transitory signal made of electrical or electromagnetic variances is not made of ‘parts’ or ‘devices’ in any mechanical sense” and that “[w]hile such a signal is physical and real, it does not possess concrete structure” *Id.* at 14-15. Accordingly, it concluded that “[a] propagating electromagnetic signal” was not a “machine,” as that term is used in § 101. *Id.* at 15.

Regarding the “manufacture” category, the Court noted that the question of whether the claimed signals are “manufactures” was more difficult. It observed that the claimed signals were “man-made, in the sense of having been encoded,

generated, and transmitted by artificial means,” but that “artificiality [was] insufficient by itself to render something a ‘manufacture.’” *Id.* Citing to Supreme Court decisions defining “manufacture” and using the same dictionary the Supreme Court relied on for its definition of “manufacture” for the definition of the term “article,” the Court determined that “articles” of “manufacture” are “tangible articles or commodities.” *Id.* at 15-16. It found that “[a] transient electric or electromagnetic transmission [did] not fit within that definition.” *Id.* at 16. It reasoned that “[w]hile such a transmission is man-made and physical[,] . . . it is a change in electric potential that, to be perceived, must be measured at a certain point in space and time by equipment capable of detecting and interpreting the signal.” *Id.* It added that “[i]n essence, energy embodying the claimed signal [was] fleeting and [was] devoid of any semblance of permanence during transmission.” *Id.* It noted that “[a]ll signals within the scope of the claim [did] not themselves comprise some tangible article or commodity” and that “[t]his is particularly true when the signal is encoded on an electromagnetic carrier and transmitted through a vacuum—a medium that, by definition, is devoid of matter.” *Id.* at 16-17. Accordingly, the Court held that Mr. Nuijten’s signals, standing alone, were not “manufactures” under the meaning of that term in § 101.

Finally, with respect to the “composition of matter” category, the Court noted that Mr. Nuijten had not challenged the Board’s conclusion that his signal was not composed of matter and was clearly not a “composition of matter.” The Court, nonetheless, explained that the Supreme Court has defined “composition of matter” to mean “all compositions of two or more substances and all composite articles, whether they be the results of chemical union, or of mechanical mixture, or whether they be gases, fluids, powders or solids.” *Id.* at 17-18 (citation omitted). It reasoned that “[a] signal comprising a fluctuation in electric potential or in electromagnetic fields [was] not a ‘chemical union,’ nor a gas, fluid, powder, or solid.” *Id.* at 18. It thus concluded that Mr. Nuijten’s signals were not “composition[s] of matter.” *Id.*

In sum, the Federal Circuit found that “[a] transitory, propagating signal like Nuijten’s is not a ‘process, machine, manufacture, or composition of matter.’” *Id.* It held that because those four

categories define the explicit scope and reach of subject matter patentable under § 101, such a signal cannot be patentable subject matter. It thus affirmed the Board’s rejection of Mr. Nuijten’s “signal” claims.

Judge Linn agreed with the majority that a “signal,” as used in the claims at issue, referred to something with a “physical form,” but disagreed with the majority’s holding that the claims were not directed to statutory subject matter under § 101. In his opinion, the Supreme Court’s definition of “manufacture” did not limit the term “manufacture” to “non-transitory, tangible things.” Linn op. at 2. He noted that when the Supreme Court defined “manufacture,” it emphasized that “[i]n choosing such expansive terms as ‘manufacture’ . . . modified by the comprehensive ‘any,’ Congress plainly contemplated that the patent laws would be given wide scope.” *Id.* (citation omitted). According to Judge Linn, because the patent claim at issue contemplated some physical carrier of information, it required that some input “material”—whether a pulse of energy or a stone tablet—had been given a new form, quality, or property by direct human action or by a machine. In his view, the resulting signal was thus a “manufacture” in the expansive sense of § 101. He added that because he believed that the claimed signal was a “manufacture,” it was necessary for him to examine the alternative argument that the claimed signal was an unpatentable abstract idea. He noted that because the claim at issue was both “new” and “useful,” it was not an abstract idea. For these reasons, he would reverse the Board’s decision.

Comparative Quantitative Testing Not Necessary When Testing Provides Sufficient Evidence of Infringement

Elizabeth E. Mathiesen

Judges: Lourie (author), Linn, Moore

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

In *In re Gabapentin Patent Litigation*, No. 06-1572 (Fed. Cir. Sept. 21, 2007), the Federal Circuit reversed the district court’s grant of SJ of

noninfringement, affirmed the district court's claim construction of disputed terms, and remanded the case for reconsideration of infringement in accordance with the opinion.

Warner Lambert Co., Pfizer Inc., and Gödecke Aktiengesellschaft (collectively "Warner Lambert") manufacture and sell Neurontin®, a drug for treating brain disorders, including epilepsy. The active ingredient in Neurontin® is gabapentin, a compound covered by U.S. Patent No. 6,054,482 ("the '482 patent"). The '482 patent covers a process for preparing gabapentin while minimizing the formation of a lactam, which can make the drug unstable and unsafe. This process has two key limitations: (1) the gabapentin must be highly purified before being formulated into a pharmaceutical, and thus may not contain more than 20 parts per million ("ppm") of an anion of a mineral acid; and (2) certain adjuvants that reduce the stability of gabapentin must be avoided.

A number of generic drug companies filed ANDAs seeking approval to market generic versions of Neurontin®. Each of these companies committed to using a version of gabapentin manufactured by Teva Pharmaceutical Industries, Ltd. and Teva Pharmaceuticals USA, Inc. (collectively "Teva"). Warner Lambert filed suit against several of these companies pursuant to the Hatch-Waxman Act, including Purepac Pharmaceutical Co., Watson Pharmaceuticals, Inc., Teva, IVAX Corp., Apotex Corp., and Eon Labs Manufacturing, Inc. (collectively "appellees"). These lawsuits were consolidated for pretrial proceedings in the U.S. District Court for the District of New Jersey. The district court construed three claim terms—"anion of a mineral acid," "adjuvant," and "modified maize starch"—and granted appellees' motion for SJ of noninfringement based on Warner Lambert's failure to meet its burden of proof of infringement of the '482 patent claims.

In the SJ proceedings in the district court, the parties had presented conflicting expert opinions and testing data regarding whether Teva's gabapentin product infringed the '482 patent claims. At issue was whether the accused product contained "less than 20 ppm of an anion of a mineral acid," as required by the asserted claims. The district court held that Warner Lambert's pH-based tests were insufficiently precise to prove

infringement, and therefore held that Warner Lambert had failed to meet its burden of proof. The Federal Circuit reviewed the district court's grant of SJ de novo, drawing all justifiable inferences in favor of Warner Lambert, the nonmovant. In doing so, the Federal Circuit analyzed the testing data provided by Warner Lambert's expert and determined that Warner Lambert had provided sufficient evidence to create a genuine issue of material fact regarding whether Teva's samples met the limitations of the claims of the '482 patent.

The Federal Circuit also held that Warner Lambert's comparative testing was sufficient evidence of infringement, and that there was no requirement for quantitative testing, distinguishing the facts from those of *Abbott Laboratories v. TorPharm, Inc.*, 300 F.3d 1367 (Fed. Cir. 2002), and *Zenith Laboratories, Inc. v. Bristol-Myers Squibb Co.*, 19 F.3d 1418 (Fed. Cir. 1994). In *Abbott* and *Zenith*, the Court held that quantitative testing was necessary where the proffered testing failed to provide the requisite proof. *Abbott*, 300 F.3d at 1376-77; *Zenith*, 19 F.3d at 1423. The Federal Circuit noted that here, it would not consider appellees' arguments regarding the accuracy of Warner Lambert's testing techniques because appellees had waived these arguments in their motion for SJ to the district court.

Regarding claim construction, the Federal Circuit affirmed the district court's construction of the terms "anion of a mineral acid," "adjuvant," and "modified maize starch." The Court held that the proper construction of the term "anion of a mineral acid" is an "anion derived from a mineral acid," stating that this construction was supported by the plain language of the claim and the specification and, thus, there was no need to rely on the prosecution history "where the claim language provides a clear definition of the disputed claim term, supported by the specification." Slip op. at 15.

"We are not persuaded by appellees' extensive reliance on the prosecution history in support of their construction, particularly in this case where the claim language provides a clear definition of the disputed claim term, supported by the specification." Slip op. at 15.

With regard to the term “adjuvant,” the Federal Circuit first held that construction of the term was properly before the court because the district court had entered final judgment on the court’s claim construction rulings by granting certification to the Federal Circuit under Rule 54(b). The Federal Circuit then affirmed that the correct construction of the term “adjuvant” excluded ingredients located in the capsule shell or tablet coating, finding support for this construction in the claim language itself, particularly in view of the lack of contradictory statements in the specification and prosecution history.

Finally, the Federal Circuit rejected appellees’ assertion that the district court erred in construing “modified maize starch” as “maize starch modified by acid treatment.” The Court held that the specification supported a conclusion that “modified maize starch” does not encompass pregelatinized starch and that this was supported by an expert declaration in the prosecution history.

Court Upholds Infringement Rulings Against Vonage for Two of Three Verizon VoIP Patents

John L. Marquardt, Jr.

Judges: Michel (dissenting-in-part), Gajarsa (concurring-in-part and dissenting-in-part), Dyk (author)

[Appealed from E.D. Va., Judge Hilton]

In *Verizon Services Corp. v. Vonage Holdings Corp.*, Nos. 07-1240, -1251, -1274 (Fed. Cir. Sept. 26, 2007), the Federal Circuit affirmed the district court’s claim construction, jury instructions, and injunction for two of three Verizon Services Corporation, Verizon Laboratories Inc., or Verizon Communications, Inc. (collectively “Verizon”) patents asserted against Vonage Holdings Corporation and Vonage America, Inc. (collectively “Vonage”) with respect to Voice over IP (“VoIP”) technology. For the third patent, the Federal Circuit revised the district court’s claim construction, remanded for a new trial, suggested further court consideration of jury instructions relating to obviousness in light of *KSR International Co. v. Teleflex, Inc.*, 127 S. Ct. 1727

(2007), and vacated the lower court’s injunction. The Federal Circuit also vacated an award of \$58,000,000 in damages and a 5.5% royalty rate because the jury verdict did not apportion damages among the three patents.

Vonage provides telephone service to its subscribers through VoIP technology, which allows users to transmit telephone calls over the Internet. Vonage’s system routes calls over the Internet and, when necessary, contacts traditional subscribers by relaying signals to the public switched telephone network (“PSTN”). Verizon asserted U.S. Patent Nos. 6,282,574 (“the ’574 patent”), 6,104,711 (“the ’711 patent”), and 6,359,880 (“the ’880 patent”) against Vonage. Two of the patents, the ’574 and ’711 patents, share the same specification. That specification describes an invention, enhancing the existing Domain Name System (“DNS”), which translates domain names (such as “www.fedcir.gov”) into Internet Protocol (“IP”) addresses, by allowing for a greater number of translations, including translations to and from telephone numbers. The specification of the third patent, the ’880 patent, describes a localized wireless gateway system that allows wireless telephones to register with the system and make calls.

After a multiweek trial, a jury found Vonage to infringe the asserted claims of the ’574, ’711, and ’880 patents. The jury also found the asserted claims of the ’574, ’711, and ’880 patents were not invalid as obvious; that Vonage did not willfully infringe the patents; awarded damages of \$58,000,000; and set a royalty rate of 5.5% for any future infringement. The district court entered judgment on the jury verdict.

On appeal, the Federal Circuit first affirmed the district court’s construction of the claim term “translation” in the ’711 patent and rejected Vonage’s argument that the term required a conversion from a higher-level protocol to a lower-level protocol. Citing *Phillips v. AWH Corp.*, 415 F.3d 1303, 1323 (Fed. Cir. 2005), the Court held that “[t]he mere fact that the specification’s examples of translation may involve a change in protocol from a higher to a lower level protocol does not establish that such a limitation should be imported into the claims.” Slip op. at 10. Moreover, the Court found “no evidence that the ordinary meaning of translation

in the art means a change in protocol from a higher-level to a lower-level protocol.” *Id.* at 11.

Next, the Federal Circuit affirmed the district court’s construction of the claim term “conditional analysis” in the ’711 patent, finding again that nothing other than specification examples supported Vonage’s argument that the term should be narrowly construed as being limited to an analysis based upon the called party’s preferences. The Federal Circuit similarly rejected Vonage’s argument that the claim term “server” in the ’574 and ’711 patents should be narrowly construed to require management of an enhanced name translation service. The Court found that “there is simply no indication that the term ‘server’ is being redefined in the specification to include these enhanced name translation functions.” *Id.* at 12. Moreover, the Court reasoned that “[t]he fact that such functions are mentioned separately when a ‘server’ is mentioned in the claims weighs against limiting a ‘server’ to one that performs the functions.” *Id.*

Finally, the Federal Circuit rejected Vonage’s argument that “destination” in the claim term “destination address” in the ’711 patent should be limited only to a final destination, and not an intermediate destination. The Court noted that the specification passage relied on by Vonage was in the “Background Art” section of the ’711 patent and described how the Internet works in general rather than describing the patented invention. Moreover, the Court found that the passage relied on by Vonage did not redefine “destination” to mean “final destination.” The Court also concluded that Vonage’s proposed construction should be rejected because it would exclude several examples in the specification.

Next, the Federal Circuit held that the district court erred in its construction of the term “localized wireless gateway system” in the asserted claims of the ’880 patent. The Court agreed with Vonage that the claimed gateway should be construed to be limited to a transmission range of only a few feet because of statements made by the patentee during prosecution of a related patent of the same family as the ’880 patent. Citing *Microsoft Corp. v. Multi-Tech Systems, Inc.*, 357 F.3d 1340, 1350 (Fed. Cir. 2004), the Court noted that “a statement made by the patentee during prosecution history of a patent in the same family as the patent-in-suit can operate as a disclaimer.” Slip op. at 17.

The Court concluded that the applicants clearly disavowed claim scope by gaining allowance of a related application, which also claimed a “localized wireless gateway system,” after stating that prior art systems all appear to be directed to nonlocalized systems, and that the “present invention,” by contrast, was restricted to operate within a few feet from a base station. The Court further concluded that the claim term at issue should be construed consistently in the ’880 patent and the related application, even though the disclaimer in the related application prosecution occurred after the ’880 patent issued.

The Federal Circuit further agreed with Vonage that the claim term “localized wireless gateway system” should be construed as being limited to one performing compressing and packetizing functions. Noting that the ’880 patent twice described the gateway system of the “present invention” as having those features, the Court held that “[w]hen a patent thus describes the features of the ‘present invention’ as a whole, this description limits the scope of the invention.” *Id.* at 20.

The Federal Circuit also rejected Vonage’s argument that the claim term “wireless telephone terminal” should be limited to one that roams among a plurality of base stations. The Court noted that although the specification makes reference to “roaming” telephones, Vonage failed to identify language that would require roaming in every case.

Because the Court concluded that the district court erred in construing the term “localized wireless gateway system,” it remanded for a new trial on the ’880 patent, and accordingly vacated the injunction with respect to the ’880 patent.

Next, the Court considered Vonage’s argument that the district court erroneously instructed the jury to apply a teaching/suggestion/motivation-to-combine test on obviousness, which was rejected by the Supreme Court in *KSR*. First, the Court noted that there could not be prejudicial error with respect to the ’574 and ’711 patents, because Vonage did not dispute that the obviousness testimony at trial centered on a single reference, and thus any alleged error in instructions requiring a finding of motivation to combine several references would have been harmless. With respect to the ’880 patent, however, because the Court revised the claim construction of several key

terms, it held that a remand was necessary so that the district court could consider whether a new trial should be granted on the issue of obviousness.

The Court also held that in light of its holding that a new trial was required on the issue of infringement of the '880 patent, and since the jury's verdict gave no indication what portion of damages was allocated to the infringement of the '880 patent, the Court vacated the determination that Verizon was entitled to a damages award of \$58 million and a royalty rate of 5.5%, and remanded to the district court for further determination.

Lastly, the Court affirmed the district court's decision to issue an injunction with respect to the '574 and '711 patents. Although the district court failed to consider one factor relevant to the balance of hardships required by *eBay Inc. v. MercExchange, L.L.C.*, 126 S. Ct. 1837, 1839 (2006), namely, whether the district court should have allowed time for Vonage to implement a workaround that would avoid continued infringement of the '574 and '711 patents before issuing its injunction, the Federal Circuit noted that Vonage made no request for a workaround period to the district court. Slip op. at 25 n.12. Moreover, Vonage already had several months since the district court's judgment to implement a workaround.

Dissenting-in-part, Chief Judge Michel indicated that the district court should have been affirmed in full. Specifically, he disagreed with the majority's reversal of the district court's claim construction with respect to the claim terms of the '880 patent, as well as vacating the damages award by the jury. With respect to the claim term "localized wireless gateway system," Chief Judge Michel noted that the majority "read[] out of context snippets of language used by the applicants in the prosecution of not the '880 patent, but rather a related patent not asserted in this case." Michel Dissent at 2. Chief Judge Michel further stressed that the specification of the '880 patent nowhere mentions any restriction to a "few feet," but to the contrary discloses areas of operation as large as an airport, shopping center, or industrial complex.

Chief Judge Michel also disagreed with the majority's decision to limit the term "localized wireless gateway system" to require compression and packetization functions. He noted that the

claim language was silent and did not mention these functions. Moreover, the specification merely stated that those functions were "one aspect" of the present invention, and that aspect was recited in claims that were pursued in a divisional application.

Chief Judge Michel also dissented with respect to remanding the jury instructions with respect to the determination of obviousness for further consideration in light of the Supreme Court's decision in *KSR*. He wrote that the district court correctly instructed that the reason to combine prior art elements "could be gleaned from 'the knowledge that was generally available to one of ordinary skill in the relevant art.'" *Id.* at 7.

Lastly, Chief Judge Michel disagreed with disturbing the jury's determination of damages, faulting Vonage for failing to make any showing on appeal that the damages award would not be supported by only those patents for which the Court affirmed liability.

Judge Gajarsa, concurring-in-part and dissenting-in-part, agreed with the majority's decision, except that he believed that Vonage was correct that the claim term "destination address" in the '711 patent should have been construed to be limited to a final destination, and thus he would have vacated the judgment of infringement of the '711 patent. He wrote that the examples supplied in the '711 patent's written description all speak to the "destination" or "destination address" as being that of the actual called party, and the '711 patent clearly distinguishes intermediary pass-through nodes on the network from the endpoints.

Although District Court Erred in Construing "Comprised of" as a Closed-End Term, SJ of Noninfringement Affirmed

Sarah J. Chickos

**Judges: Newman (author), Schall, Moore
[Appealed from S.D.N.Y., Judge Kaplan]**

In *CIAS, Inc. v. Alliance Gaming Corp.*, No. 06-1342 (Fed. Cir. Sept. 27, 2007), the Federal Circuit held that the district court erred in its

construction of the claim term “comprised of” as a closed-end term that excludes the presence of elements beyond those listed in the “comprised of” clause. Nevertheless, the Federal Circuit affirmed the district court’s grant of SJ of noninfringement because it concluded that the district court’s error did not affect the construction of the substantive terms supporting the SJ of noninfringement.

“These cases reflect the general understanding and usage of ‘comprised of’ in patent convention as having the same meaning as ‘comprising.’”
Slip op. at 8.

CIAS, Inc. (“CIAS”) and Alliance Gaming Corporation and its subsidiary Bally Gaming, Inc. (collectively “Alliance”) make systems for detecting the use of counterfeit objects. The Alliance systems detect the use of counterfeit betting tickets in casino slot machines. CIAS filed a patent infringement suit against Alliance, charging that Alliance’s systems infringe U.S. Patent No. 5,283,422 (“the ’422 patent”) either literally or under the DOE. The ’422 patent describes and claims a system for detecting counterfeit objects, including gambling chips, labels, currency, and commercial paper, via a computer-directed process. This process works by assigning each authentic object with coded identification information that is both recorded on the object and stored in a machine-readable facility. When the object is presented for authentication, the computerized system compares the object’s coded information with the stored information to determine the object’s authenticity. The district court construed the relevant terms of the ’422 patent claims in light of the accused systems and granted Alliance’s motion for SJ of noninfringement. The district court further ruled that Alliance’s counterclaim of unenforceability was moot and entered final judgment.

The district court determined that the claim term “comprised of” does not have the same open-ended meaning as “comprising.” The district court construed “comprised of” as a closed-end term that excludes the presence of elements beyond those listed in the “comprised of” clause. The district court reasoned that there was a difference between “comprised of” and “comprising.”

The Federal Circuit concluded that the district court’s construction of “comprised of” was incorrect because “comprised of” has long been understood to be an open-ended term meaning “including but not limited to.” The Court explained that “comprised of,” when used as a transition phrase, typically means, like comprising, that the following elements or steps are not limiting. The Court highlighted that the important contrast, in patent lexicography, lies with “consisting of,” rather than with variations of “comprises.” “Consisting of” has long been understood to be closed-ended and to convey limitation to those elements or steps listed in the “consisting of” clause and the exclusion of others.

The Federal Circuit concluded that the district court used an incorrect construction of “comprised of” to determine that the claim language was limited to a detectable series. This limitation formed the basis for the district court’s ruling that Alliance’s systems did not infringe because the Alliance code systems include a “secret” series as well as a detectable series. The Federal Circuit recognized, however, that while this particular basis for noninfringement was not valid given the mistaken construction of “comprised of,” the construction of the claim language “unique authorized information” provided sufficient basis for the finding of noninfringement.

The Federal Circuit agreed with the district court that the claim term “unique authorized information” should be construed to exclude a combination of serial and randomly selected information, based on arguments made by CIAS during reexamination to distinguish the prior art. Moreover, the Federal Circuit agreed with the district court’s conclusion that the inventors, by limiting the ’422 patent claims to a counterfeit detection system relying on a “detectable series,” had disavowed use of a secret algorithm. Because the accused systems used a combination of serial and randomly selected information, as well as a secret algorithm, the Federal Circuit affirmed the district court’s grant of SJ of literal noninfringement. Furthermore, because the accused systems were excluded from the claims based on prior art that was distinguished during prosecution, the Federal Circuit affirmed the district court’s finding of noninfringement under the DOE.

Board's Finding of Obviousness Reversed Because Prior Art Rigid Foam That Is Crushed Could Not Reasonably Be Construed to Be a Flexible Foam Reaction Mixture

Panyin A. Hughes

Judges: Newman (author), Friedman, Prost (dissenting)

[Appealed from the Board]

In *In re Buszard*, No. 06-1489 (Fed. Cir. Sept. 27, 2007), the Federal Circuit reversed the Board's decision regarding anticipation and remanded for completion of examination, holding that the reference applied by the Board could not be reasonably construed to describe claims of the patent application at issue.

The patent application at issue, U.S. Patent Application Serial No. 10/429,429 ("the '429 application"), claims a flame retardant composition that produces a flexible polyurethane foam, and the flexible foamed article made from the composition. In the Board's view, a patent to Eling anticipated the claims of the '429 application. The Eling patent discloses a rigid foam produced by chemical reaction of compounds and a flexible foam produced by crushing the rigid foam. The Board interpreted patentees' claimed reaction mixture to include "any reaction mixture which produces, at least ultimately, a flexible polyurethane foam." The patentees disagreed and appealed, contending that their claims explicitly require a "flexible polyurethane foam reaction mixture," which the Eling patent fails to disclose.

On appeal, the patentees argued that the Eling patent discloses only a rigid polyurethane foam, which, when mechanically crushed, loses its rigidity because it is in small particles. The patentees further asserted that the rigid foam product disclosed by the Eling patent is chemically different from a flexible polyurethane foam that is directly produced by polymerization, without crushing, and that this difference is readily understood by a person of ordinary skill in the field of polyurethane foams. According to the

patentees, whether or not the rigid polyurethane foam disclosed by the Eling patent is subsequently crushed is of no consequence because the flexible foam mixture required by their claims is different in kind from the rigid foam mixture described by Eling.

The PTO, on the other hand, stated that Buszard's claims, when given their broadest interpretation, read on the Eling product and thus were anticipated by Eling. Buszard responded that the Board's construction of the claims to read on, and thus be anticipated by, Eling's crushed solid foam was not reasonable. More specifically, Buszard contended that persons experienced in the field of polyurethane foams know that a "flexible polyurethane foam reaction mixture" is different from a rigid polyurethane foam reaction mixture, and that this process limitation cannot be found in Eling, no matter how broadly that reference is read.

The Federal Circuit rejected the PTO's argument. The Court noted that the PTO Solicitor agreed at the oral argument that the flexibility or rigidity of foamed polyurethane depends on the composition of the reaction mixture, which controls the degree of chemical cross-linking and, thus, the flexibility of the polymer. The Court further noted the Solicitor's agreement that a person of ordinary skill in the field of polyurethane foams knows that a flexible foam and a rigid foam have different chemical structures and are produced from different chemical reactants.

The Court next considered the Solicitor's proposal at oral argument that when a rigid foam is mechanically crushed, the chemical bonds are broken and the product is the same as the flexible product of a flexible foam reaction mixture. The Court dismissed this argument, noting that "[t]here was no rejection on this ground, there is no evidence or argument to this effect in the record, this theory was not mentioned by any examiner or in the Board's opinion, and it appears to be contrary to science." Slip op. at 5.

"We agree with Buszard that it is not a reasonable claim interpretation to equate 'flexible' with 'rigid,' or to equate a crushed rigid polyurethane foam with a flexible polyurethane foam." Slip op. at 6.

The Court thus concluded that the Eling patent did not anticipate the '429 application because "[n]o matter how broadly 'flexible foam reaction mixture' is construed, it is not a rigid foam reaction mixture." *Id.* at 6. As explained by the Court, while the '429 application requires a flexible polyurethane foam reaction mixture, the Eling patent only discloses a rigid foam reaction mixture that produces a rigid product. Furthermore, "[o]nly by mechanically crushing the rigid product into small particles is it rendered flexible, as a rock can be mechanically crushed to produce particles of sand." *Id.* In the Court's view, "[t]his description cannot reasonably be construed to describe, and thus to 'anticipate,' the flexible foam product of a flexible foam reaction mixture." *Id.* Having agreed with the patentees that "it is not a reasonable claim interpretation to equate 'flexible' with 'rigid,' or to equate a crushed rigid polyurethane foam with a flexible polyurethane foam," the Court reversed the Board's decision and remanded for completion of examination.

Judge Prost dissented. In her view, the Board reasonably interpreted the claims of the '429 application, and under the Board's interpretation, substantial evidence supported its finding that the Eling patent anticipated the claims of the '429 application. Judge Prost noted that the Board does not engage in the same claim construction process during patent prosecution as a district court would in an infringement suit. Instead, the Board gives claim language its broadest reasonable interpretation consistent with the specification. If a claim term is ambiguous or confusing, the application can (and should) clarify it.

Because the Board must give claim language its broadest reasonable interpretation, Judge Prost would affirm the Board's construction of "flexible polyurethane foam reaction mixture" to mean "any reaction mixture which produces, at least ultimately, a flexible polyurethane foam." And such a construction, she concluded, encompasses mixtures that produce polyurethane foams that are made flexible upon crushing, such as the mixture disclosed in the Eling reference. She noted that Buszard's specification did not define the term, and the Board's interpretation, while broad, was not unreasonable. Although Buszard alleged that the term "flexible polyurethane foam mixture" has

a specific meaning to one of ordinary skill in the art, neither Buszard's specification nor his briefs provided such a definition.

Patentee Had Standing to Sue Because Obligation in Employment Agreement to Assign Invention Was Not a Present Assignment

Krista E. Bianco

Judges: Newman (author), Lourie, Bryson

[Appealed from C.D. Cal., Judge Fischer]

In *IpVenture, Inc. v. ProStar Computer, Inc.*, Nos. 06-1012, -1081 (Fed. Cir. Sept. 28, 2007), the Federal Circuit vacated the district court's dismissal of IpVenture, Inc.'s ("IpVenture") patent infringement suit against ProStar Computer, Inc. and Midern Computer, Inc. (collectively "Defendants") and remanded. At the same time, the Court dismissed as moot Defendants' cross-appeal for attorneys' fees.

IpVenture owns and licenses patents on inventions related to the management of personal computer systems, including U.S. Patent No. 6,216,235 ("the '235 patent"). The '235 patent, entitled "Thermal and Power Management for Computer Systems," was the joint invention of C. Douglass Thomas, one of the two owners of IpVenture, and his father. The application leading to the '235 patent was filed in 1994, while Mr. Thomas was employed by Hewlett-Packard Company ("HP") as a patent attorney. Mr. Thomas was employed by HP from 1992 to 1995. His employment agreement with HP included a provision whereby he agreed to disclose and assign to HP any inventions made by him that relate to HP's business. On April 20, 2005, IpVenture and HP entered into an agreement, which stated that IpVenture was "the sole assignee of [the '235 patent . . .]," that HP had "never asserted any ownership rights to the IpVenture Patents," and that HP "never has had any legal or equitable rights . . . to any of the IpVenture Patents." Slip op. at 4 (alterations in original).

On August 14, 2003, IpVenture filed suit against Defendants, alleging infringement of the '235 patent. Defendants moved for dismissal, arguing that IpVenture lacked standing to sue because it did not own the entire interest in the '235 patent, based on Mr. Thomas's obligations under his employment agreement with HP. The district court agreed and dismissed the suit. It concluded that the assignment provision in Mr. Thomas's employment agreement with HP "constituted an assignment of all Proprietary Developments to HP." *Id.* The district court declined to consider the content and effect of IpVenture and HP's April 20, 2005, agreement, since it was executed after the suit was filed. It ruled that even if the April 2005 agreement was a retroactive assignment, it could not cure a standing defect. IpVenture appealed the dismissal, and Defendants cross-appealed for attorneys' fees.

“While [the employment] agreement
[included] an agreement to assign, such
interest in the '235 patent must be
implemented by written assignment.”
Slip op. at 5.

On appeal, the Federal Circuit noted that “[o]nly the entity or entities that own or control all substantial rights in a patent can enforce rights controlled by that patent, lest an accused infringer be subjected to multiple suits and duplicate liability.” *Id.* at 2. It explained that, thus, all entities with an independent right to enforce the patent are indispensable or necessary parties to an infringement suit. It observed that when such an entity declines to join in the suit, it may be joined involuntarily, either as a party plaintiff or party defendant. The Court explained that on the facts

of this case, HP was not a necessary party. It noted that the question before it was whether HP had an ownership interest in the '235 patent when the suit was filed, and if so, the effect of HP's later statement that it “never has had any legal or equitable rights” in the patent.

The Court noted that Mr. Thomas's employment agreement with HP stated “agree to assign” and that this language was reinforced by HP's 2005 statement that it “never has had any legal or equitable rights” to the '235 patent. *Id.* at 5. The Court explained that “[t]he district court should have considered this statement, although it was written after this suit was filed, for it serve[d] to remove any uncertainty arising from the language of the employment agreement.” *Id.* It concluded that while Mr. Thomas's employment agreement was “an agreement to assign, such interest in the '235 patent must be implemented by written assignment.” *Id.* The Court noted that HP, by stating that it never had an interest in the '235 patent, confirmed the situation as to that patent and removed the need to construe the employment agreement. It noted that HP had also confirmed that there was no possibility of a separate infringement suit by HP.

Relying on *Arachnid, Inc. v. Merit Industries, Inc.*, 939 F.2d 1574 (Fed. Cir. 1991), where the Court held that the use of the phrase “will be assigned” was an agreement to assign, not a present assignment, the Court concluded that HP was not an assignee in 2003 and that the 2005 agreement with HP supported that position. It thus vacated the district court's dismissal and remanded.

Given its decision on IpVenture's appeal, the Court dismissed the Defendants' cross-appeal for attorneys' fees as moot.

Abbreviated Forms | Acronyms

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 & Drug Administration

IDS	Information Disclosure Statement
IP	Intellectual Property
ITC	International Trade Commission
JMOL	Judgment as a Matter of Law
MPEP	Manual of Patent Examining Procedure
PCT	Patent Cooperation Treaty
PTO	United States Patent and Trademark Office
SEC	Securities and Exchange Commission
SJ	Summary Judgment
SM	Special Master
TTAB	Trademark Trial and Appeal Board

Looking Ahead

- On October 1, 2007, the Federal Circuit heard oral argument in *In re Bilski*, No. 07-1130, which once again raises the scope of patentable subject matter under 35 U.S.C. § 101. Section 101 permits patenting “any new and useful process, machine, manufacture, or composition of matter.” *Bilski* involves an appeal from the Board affirming an examiner’s rejection under § 101 claims directed to a method of managing consumption risks associated with selling a commodity at a fixed price.

Indeed, just last month, the Federal Circuit issued two decisions in which it addressed the scope of § 101 and that will likely affect the outcome of *Bilski*. In *In re Comiskey*, No. 06-1286 (Fed. Cir. Sept. 20, 2007), the Federal Circuit held that claims reciting a business method can be patented only if the method involves another class of statutory subject matter, such as a computer. In *In re Nuijten*, No. 06-1371 (Fed. Cir. Sept. 20, 2007), the Federal Circuit affirmed a rejection of claims directed to a “signal” as unpatentable subject matter outside the scope of 35 U.S.C. § 101. See the summaries in this month’s issue.

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Last Month at the Federal Circuit



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