

Last Month at the Federal Circuit

March 2008

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- In *In re Roche Molecular Systems, Inc.*, Misc. No. 854 (Fed. Cir. Feb. 1, 2008), the Federal Circuit denied, over Judge Newman's dissent, a petition for a writ of mandamus by Roche Molecular Systems, Inc., Roche Diagnostics Corporation, and Roche Diagnostics Operations, Inc. (collectively "Roche").

The Leland Stanford Jr. University ("Stanford") sued Roche for patent infringement. On cross motions for SJ, the district court determined, inter alia, that Roche was barred from asserting (1) that it was the owner of the patents, (2) that it had a license, and (3) that Stanford lacked standing. Roche petitioned for a writ of mandamus to direct the district court to vacate its SJ order and to enter judgment in favor of Roche. In denying Roche's petition, the Federal Circuit explained that the remedy of mandamus is available only in extraordinary situations to correct a clear abuse or usurpation of judicial power. It noted that a party seeking a writ bears the burden of proving that it has no other means of attaining the relief desired and that the right to issuance of the writ is clear and indisputable. The Court determined that Roche had not shown that it could not obtain the relief it was seeking after final judgment. Accordingly, it denied Roche's petition.

In her dissent, Judge Newman noted that by declining this writ, the Court was permitting the trial to proceed on material errors of law. She explained that absent intervention, the scheduled trial will not include issues that could be dispositive of the entirety of the litigation and whose facts would remain unresolved. According to her, this was "one of the rare cases in which the writ should be granted" because the "stringent standard" for mandamus had been met, for the district court resolved fundamental issues in ways that appeared to be incorrect. Newman Dissent at 1-2.

- In *Erico International Corp. v. Vutec Corp.*, No. 07-1168 (Fed. Cir. Feb. 19, 2008), the Federal Circuit held that a showing of a substantial question of invalidity to defeat a preliminary injunction requires less proof than the clear and convincing standard to show actual invalidity. See the full summary in this month's issue.

Patents for Integrating a User's Audio Signal or Video Image Invalidated for Lack of Enablement

Anthony D. Del Monaco

Judges: Michel, Rader, Moore (author)

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

In *Sitrick v. Dreamworks, LLC*, No. 07-1174 (Fed. Cir. Feb. 1, 2008) (revised Feb. 5, 2008), the Federal Circuit affirmed the district court's grant of SJ of invalidity in favor of Dreamworks, LLC and a number of other defendants (collectively "Dreamworks"), and concluded that Sitrick waived his objection to the transfer order of the U.S. District Court for the Northern District of Illinois. The Court affirmed the district court's decision and held claims 54 and 56 of U.S. Patent No. 5,553,864 ("the '864 patent"), and claims 1, 20, 49, 57, 58, 62, 64, and 69 of U.S. Patent No. 6,425,825

("the '825 patent") invalid for lack of enablement and were not infringed.

The technology at issue involves integrating a user's audio signal or visual image into a pre-existing video game or movie. Sitrick is the inventor and owner of the '864 and the '825 patents. Dreamworks produces and distributes DVDs of various movies, some of which include the allegedly infringing product known as "ReVoice Studio." The ReVoice Studio feature allows users to combine their own voice with pre-existing video images stored on the DVD.

Sitrick sued Dreamworks, alleging infringement of the '864 and the '825 patents. The district court granted Dreamworks's motion for SJ on both the '864 and the '825 patents, finding them invalid for lack of enablement as to movies. The district court did not reach the issue of whether the asserted claims would have been enabled for video games. The district court also found the claims of the '825 patent invalid for indefiniteness, and found there existed no triable issue of fact as to infringement of claim 54 of the '864 patent.

On appeal, Sitrick argued that the district court erred by concluding that, for the purpose of determining enablement, it could ignore the teachings of the patents relating to video games. The Federal Circuit disagreed with Sitrick’s characterization of the district court’s opinion, finding that the district court clearly considered the entire specification and all teachings related to video games.

“Because the asserted claims are broad enough to cover both movies and video games, the patents must enable both embodiments.” Slip op. at 9.

The Federal Circuit further noted that “[b]ecause the asserted claims are broad enough to cover both movies and video games, the patents must enable both embodiments.” Slip op. at 9. The Court concluded that Dreamworks had shown with clear and convincing evidence that one skilled in the art could not take the disclosure in the specification with respect to substitution or integration of user images in video games and substitute a user image for a pre-existing character image in movies without undue experimentation. The Court determined that the patents did not teach how to perform several necessary claim steps for movies. Furthermore, the Court pointed to the statements of Dreamworks’s two experts, who explained that one skilled in the art would not be able to take the patents’ teachings regarding video games and apply them to movies.

The Federal Circuit dismissed Sitrick’s argument that the testimony of his expert created a genuine issue of material fact as to the enablement of visual substitutions for movies. The Court found that the district court correctly held that Sitrick’s expert’s opinion regarding enablement was conclusory, unsupported, and presented by a person who admitted to not being skilled in the art of moviemaking and to not

have expertise in movies. The Court stressed that “[c]onclusory expert assertions cannot raise triable issues of material fact on summary judgment.” *Id.* at 11.

Sitrick further argued that the district court erred in interpreting claim 54 of the ’864 patent with respect to the phrase, “the user voice parameter data is input as a model to a voice synthesizer.” *Id.* at 12. The district court construed claim 54 as requiring that voice parameter data be used as a model for a voice synthesizer to produce an entirely synthetic voice and not simply a playback of the user’s sample. Sitrick argued that the district court incorrectly required the synthesizer to produce “new words that the user did not actually say.” *Id.* at 13. The Federal Circuit disagreed, noting that the district court plainly stated that “the synthetic voice *could say* precisely what the user had said in the sample, and this would be within the claim, *as long as* the voice was not simply a playback of the user’s sample but was generated from the sample and the extracted voice parameters.” *Id.* The Court concluded that the district court’s claim construction was supported by the claim language itself, the specification, and the defendants’ expert. The Federal Circuit further concluded that, applying the correct claim construction, the district court properly granted SJ that the ’864 patent failed to enable the voice synthesis required by claim 54 because Sitrick presented no evidence to contradict defendants’ argument regarding enablement for modeling a voice for reproduction by a voice synthesizer.

Finally, Sitrick argued, for the first time on appeal, that the Northern District of Illinois improperly transferred the case to California. The Court determined that in the Ninth Circuit, where the district court case was decided, objections to venue are waivable. *Id.* (citing *Costlow v. Weeks*, 790 F.2d 1486, 1488 (9th Cir. 1986)). As Sitrick litigated his case in California for more than three years and filed multiple amended complaints acknowledging

that “[v]enue properly lies [in the Central District of California],” the Court held that Sitrick had waived his right to raise this issue on appeal. *Id.* (alterations in original).

Planting Seed Containing a Gene Sequence Infringes a Patent Covering That Sequence

Max Bishop

Judges: Lourie (author), Bryson, Moore

[Appealed from E.D. Mo., Judge Autrey]

In *Monsanto Co. v. David*, No. 07-1104 (Fed. Cir. Feb. 5, 2008), the Federal Circuit affirmed the district court’s finding of infringement in favor of Monsanto Company and Monsanto Technology LLC (collectively “Monsanto”), but vacated-in-part the district court’s damages award and remanded.

Monsanto sells Roundup® brand herbicide, a glyphosate-based herbicide that kills all types of plants, whether the plant is a weed or a crop. Monsanto has also developed Roundup Ready® Technology. Crops grown from seeds with Roundup Ready® Technology are resistant to Roundup and other glyphosate-based herbicides. When Roundup Ready® seeds are planted and used in conjunction with a glyphosate-based herbicide, Roundup Ready® plants will survive, while weeds and other plants lacking the Roundup Ready® Technology will be killed. Monsanto has claimed this technology in U.S. Patent No. 5,352,605 (“the ’605 patent”).

Roundup Ready® Technology has been introduced into numerous agricultural products, including soybeans. Monsanto licenses seed companies to incorporate the Roundup Ready® Technology into their plants and to sell soybean seeds containing that technology. All purchasers of such seeds are required to enter into a

Technology Agreement, which provides that buyers may use the seeds for the planting of only a single commercial crop and that no seeds from that crop may be saved for future harvests. The agreement assures Monsanto that farmers must purchase new Roundup Ready® seeds each harvesting season, rather than simply saving seeds from the prior year’s harvest, as they normally would with conventional soybean seeds. The agreement also provides Monsanto legal fees and costs incurred in enforcing the agreement.

In 1999, Loren David, a commercial soybean farmer, signed a Monsanto Technology Agreement. This case arose from the soybean seed David planted in 2003.

Monsanto claims that the seeds that David planted were Roundup Ready® soybeans improperly saved from the previous year’s harvest. In April 2004, after David’s 2003 crop had already been harvested and sold, Monsanto obtained and tested samples of the soybean plant material remaining from some of David’s fields. Based on the testing, Monsanto filed suit for patent infringement, breach of contract, unjust enrichment, and conversion, alleging that David had illicitly saved and planted Roundup Ready® seeds.

After a bench trial, the district court entered judgment against David. It held that David had willfully infringed the ’605 patent and breached the Technology Agreement by planting saved seed from a prior year’s crop. It awarded Monsanto \$226,214.40 in compensatory damages. In addition, the district court awarded Monsanto enhanced damages, attorneys’ fees, prejudgment interest, and costs, bringing the total damages award to \$786,989.43. David appealed.

“[T]he right to save seed of plants registered under the [Plant Variety Protection Act] does not impart the right to save seeds of plants patented under the Patent Act.”
Slip op. at 7
(citation omitted).

With respect to infringement, David argued that because the '605 patent claims a gene sequence, not a plant variety or a seed, it could not be infringed merely by saving seeds from plants containing the patented gene sequence. He contended that under *J.E.M. Ag Supply, Inc. v. Pioneer Hi-Bred International, Inc.*, 534 U.S. 124 (2001), plants can only receive patent protection under the Plant Patent Act of 1930, 35 U.S.C. §§ 161-164; the Plant Variety Protection Act of 1970, 7 U.S.C. § 2321 (“PVPA”); or under a utility patent on a plant variety (as opposed to a gene sequence). The Federal Circuit disagreed, reasoning that nothing in *J.E.M.* invalidated or limited the '605 patent or any utility patent on a gene sequence in a seed or a plant. The Court explained that the '605 patent covering the gene sequence was infringed by planting a seed containing the gene sequence because the seed contains the gene. It noted that the gene itself was being used in the planting, an infringing act.

The Federal Circuit noted that David's real complaint was that he should be able to save seed from his harvest, regardless of the '605 patent. The Federal Circuit again disagreed. The Court noted that it had addressed a similar argument in *Monsanto Co. v. McFarling*, 302 F.3d 1291 (Fed. Cir. 2002), where it held that a farmer who saved seed containing a patented gene was liable for patent infringement and established that the right to save seed of plants registered under the PVPA did not impart the right to save seeds of plants patented under the Patent Act. The Federal Circuit noted that because *McFarling* also dealt with the '605 patent, it could not disregard that case.

David also argued that the district court's finding of infringement was clearly erroneous and that there was no evidence from which to infer that he saved Roundup Ready® soybeans from his 2002 harvest for planting in 2003. The Federal Circuit rejected this argument. The Court reviewed the relevant evidence and concluded that the district court did not clearly err in determining that David planted saved

seed. Finally, David argued that the district court erred by allowing Monsanto's expert to testify about the results of tests establishing that David planted his fields with Roundup Ready® soybean seed. David did not challenge the reliability of the testing methods or data, but argued that Monsanto's scientific team had conducted the tests, rather than Monsanto's expert. The Federal Circuit also rejected this argument, explaining that experts may base their opinions on scientific test results prepared by others and that Monsanto's expert testimony was therefore properly admitted.

David also appealed the district court's attorneys' fees and cost awards, as well as the reasonable royalty award. With respect to the attorneys' fees and cost awards, the Federal Circuit affirmed. The Court explained that the district court had not erred in finding the case exceptional and in awarding attorneys' fees, noting that this was “a case of a farmer with apparent disregard for patent rights, license agreements, and the judicial process.” Slip op. at 12. The Court also rejected David's challenge to the attorney fee clause in the Technology Agreement, noting that it had already decided this issue in *McFarling*, which involved a nearly identical Technology Agreement, and held that absent a showing of fraud, a party who signs an agreement is bound by its terms. The Court noted that David had not claimed that Monsanto used fraud to procure his signature on the Technology Agreement. Finally, the Federal Circuit also disagreed with David's argument that attorneys' fees should be limited to those recoverable under 35 U.S.C. § 285 and costs should be limited to those available under 28 U.S.C. § 1920. The Court reasoned that there was no reason to limit fees or costs because the Technology Agreement explicitly provided for fees and costs with no limit.

Regarding the damages award based on a reasonable royalty, David challenged both the royalty rate and the number of units to which this rate was applied. The Federal Circuit affirmed the district court's royalty rate, but vacated its determination of the seed density that

was used to calculate the number of units. The Court explained that based on the evidence, the district court clearly erred in estimating the seed density. The Court provided specific guidelines that the district court could use to determine the seed density and remanded.

A Claim Term Should Not Be Read to Encompass a Meaning Broader Than Its Ordinary and Customary Meaning Unless the Intrinsic Record Supports the Broader Meaning

Angela Y. Dai

Judges: Newman, Schall, Linn (author)

[Appealed from D. Minn., Judge Doty]

In *Miken Composites, L.L.C. v. Wilson Sporting Goods Co.*, No. 06-1628 (Fed. Cir. Feb. 6, 2008), the Federal Circuit affirmed the district court’s grant of SJ of noninfringement in favor of Miken Composites, L.L.C. (“Miken”), finding that the district court did not err in its claim construction and that it correctly concluded that Miken’s bats did not infringe U.S. Patent No. 5,415,398 (“the ’398 patent”), assigned to Wilson Sporting Goods Company (“Wilson”).

The ’398 patent relates to softball and baseball bats, particularly to the use of structural members inside such bats to improve their impact response. The bat design disclosed in the ’398 patent includes a tubular insert suspended within an impact portion of the bat’s tubular frame. The insert has an outer diameter that is slightly less than the inner diameter of the impact portion, and only contacts the tubular frame at its ends. Such a construction creates a narrow, uniform gap between the insert and the inner wall of the impact portion, and provides many advantages.

Miken brought a DJ action against Wilson seeking, inter alia, a declaration that several of

its bats (categorized as “carbon bats” and “non-carbon bats”) did not infringe certain claims of the ’398 patent. Wilson counterclaimed, alleging infringement of the ’398 patent. The parties’ dispute centered around two limitations in claims 1 and 18 of the ’398 patent. The first of these is the “insert” limitation found in both claims 1 and 18. Specifically, claim 1 recites a bat comprising, inter alia, a frame and “an insert positioned within the frame,” and claim 18 recites a bat comprising, inter alia, “at least one insert.” The second is the “gap” limitation expressly recited in claim 1 as a “gap forming at least part of an annular shape” between the insert and the bat frame, such that “the frame [is] elastically deflectable across the gap to operably engage the insert.” Although claim 18 does not recite a “gap” like claim 1, it does require that “the impact portion be[] inwardly elastically deflectable such to establish a tight interference fit between the insert and the impact portion.”

After the district court issued a claim construction order, Miken moved for SJ of noninfringement as to claims 1 and 18, and of invalidity as to claim 18. The district court granted Miken’s noninfringement motion, but denied its invalidity motion. The district court found that the carbon bats did not infringe claims 1 and 18 because “they do not have an insert.” Slip op. at 6. It also found that the noncarbon bats did not infringe because they do not “contain a ‘gap’ for purposes of claim 1, or a space sufficient to allow contact upon elastic deflection, for purposes of claim 18.” *Id.* Wilson appealed.

“[A] claim term should not be read to encompass a broader definition ‘in the absence of something in the written description and/or prosecution history to provide explicit or implicit notice to the public—i.e., those of ordinary skill in the art—that the inventor intended a disputed term to cover more than the ordinary and customary meaning revealed by the context of the intrinsic record.” Slip op. at 10.

On appeal, the Federal Circuit first addressed the district court's construction of the term "insert." The district court held that the term "insert" did not possess a particular meaning in the field of art and that given its ordinary and customary meaning, "insert" meant "something inserted or intended for insertion." *Id.* at 7. The Federal Circuit agreed. It noted that nothing in the claims or specification indicated, explicitly or implicitly, that the inventor used the term "insert" in a novel way or intended to impart a novel meaning to it. Rather, noted the Court, the claims and written description of the '398 patent consistently used the term "insert" in the sense of its ordinary meaning as "something inserted or intended for insertion." Moreover, the Court found that the parties presented no evidence suggesting that the term "insert" in the context of the '398 patent had a particular meaning different from the ordinary and customary meaning. Although the Court noted that the term "insert" was a common term used to denote structure, it rejected Wilson's argument that it did not matter whether an insert was placed into a pre-existing frame or whether a frame was built around it, stating that such an argument ignored the ordinary and customary meaning.

The Federal Circuit also disagreed with Wilson's argument that the district court impermissibly imported a process limitation into a product claim. It explained that just because the "ordinary meaning has functional attributes does not change the fact that the claim recites a structural component, albeit one possessed with certain understood characteristics." *Id.* at 9. The Court reiterated its holding in *Nystrom v. Trex Co.*, 424 F.3d 1136, 1145-46 (Fed. Cir. 2005), "that the 'broadening of the ordinary meaning of a term in the absence of support in the intrinsic record indicating that such a broad meaning was intended violates the principles articulated in [*Phillips v. AWH Corp.*, 415 F.3d 1303 (Fed. Cir. 2005) (en banc)]." Slip op. at 10 (alteration in original). Here, noted the Court, Wilson had not identified any such support in the intrinsic record. Accordingly, and because the Court discerned no claim construction error in the district court's

treatment of the "insert" limitation, it affirmed this aspect of the judgment.

Next, the Court addressed the district court's construction of the "gap" limitation. The district court had adopted the Federal Circuit's construction of "gap" from a prior case, *Wilson Sporting Goods Co. v. Hillerich & Bradsby Co.*, 442 F.3d 1322 (Fed. Cir. 2006), involving the '398 patent. Given that the district court had simply adopted the Federal Circuit's claim construction and analysis from *Hillerich*, the Federal Circuit rejected Wilson's arguments with respect to the "gap" limitation and affirmed the district court's construction.

The Federal Circuit next addressed the district court's grant of SJ of noninfringement with respect to the carbon bats. As for literal infringement, the Court explained that Wilson had not pointed to any evidence that established that any component of Miken's carbon bats was ever "inserted or intended for insertion." Thus, the Court concluded that there was no genuine issue of material fact and Miken was entitled to JMOL. With respect to Wilson's allegation of infringement under the DOE, the Court agreed with the district court that Wilson's evidence demonstrated, at most, the equivalency of the accused products as a whole, and that Wilson did not provide any factual basis or expert testimony to support "an objective inquiry on an element-by-element basis" with respect to the insert limitation. Slip op. at 14. The Court concluded that Wilson's lawyer argument and generalized testimony about the accused product argument failed to create a genuine issue of material fact that would prevent the grant of SJ. Because the Court found the lack of an "insert" was dispositive, it did not address the issue regarding any existence of a "gap" in the carbon bats. Thus, it affirmed the judgment of noninfringement with respect to the carbon bats.

Finally, the Federal Circuit addressed the district court's grant of SJ of noninfringement with respect to the noncarbon bats, which indisputably contained "inserts." The Court agreed with the district court's determination that the noncarbon bats did not infringe claims 1

or 18, because they did not contain a “gap” between the insert and impact portion. It explained that even when the evidence is viewed in the light most favorable to Wilson and all reasonable inferences drawn in its favor, Wilson had failed to establish a genuine issue of material fact sufficient to preclude SJ. Accordingly, it also affirmed the judgment of noninfringement with respect to the noncarbon bats.

Prosecution History Estoppel Applied Where Amendment in Response to Section 112 Rejection Was Not Tangential

Jin Zhang

Judges: Linn (author), Dyk, Prost

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

In *International Rectifier Corp. v. IXYS Corp.*, Nos. 07-1063, -1141, -1165 (Fed. Cir. Feb. 11, 2008), the Federal Circuit reversed a jury’s verdict of infringement under the DOE and vacated the damages award and permanent injunction. The Court found that a claim amendment made to overcome a rejection under 35 U.S.C. § 112 could not have been characterized as only tangentially related to the alleged equivalent and, therefore, prosecution history estoppel barred infringement under the DOE.

International Rectifier Corporation (“IR”) sued IXYS Corporation (“IXYS”) for infringing U.S. Patent Nos. 4,959,699 (“the ’699 patent”), 5,008,725 (“the ’725 patent”), and 5,130,767 (“the ’767 patent”). All three patents disclose metal-oxide-semiconductor field effect transistors (MOSFETs). A jury found that the accused devices infringed the ’699 patent under the DOE, but did not infringe the ’725 and ’767 patents.

On appeal, the Federal Circuit first discussed whether IXYS filed a notice of appeal on time.

The Court noted that IXYS failed to timely file a document styled as a notice of appeal, but IXYS did file with the district court a motion to stay the permanent injunction pending appeal within the thirty-day time period for filing a notice of appeal. Because both IR and the district court were therefore on notice of IXYS’s intent to appeal, the Federal Circuit held that IXYS’s motion to stay qualified as a notice of appeal.

“IR’s decision to claim that structure using the limiting term ‘adjoining,’ whether or not *required* to overcome the rejection, cannot be described as only tangentially related to the equivalency of a structure with non-adjoining regions.” Slip op. at 9.

Next, the Federal Circuit addressed IXYS’s argument that prosecution history estoppel barred application of the DOE because IR added the claim term “adjoining” during prosecution of the ’699 patent to overcome rejections under 35 U.S.C. § 112, ¶¶ 1-2, and prosecution history estoppel. IR responded that prosecution history estoppel did not apply because its addition of the term “adjoining” broadened the claim language and because its amendment was only tangentially related to the asserted equivalent. The Federal Circuit agreed with IXYS that prosecution history estoppel barred application of the DOE, because IR’s claim amendment narrowed the scope of the claim, at least with respect to the addition of the term “adjoining.”

In addition, the Federal Circuit disagreed with IR that the purpose of the amendment was tangential to the asserted equivalent. The Court explained that “IR’s decision to claim that structure using the limiting term ‘adjoining,’ whether or not *required* to overcome the rejection, cannot be described as only tangentially related to the equivalency of a structure with non-adjoining regions.” Slip op. at 9. Accordingly, the Federal Circuit held that prosecution history estoppel barred IR from asserting infringement of the “adjoining” limitation under the DOE, and reversed the district court’s entry of judgment on the “adjoining” claims.

The Federal Circuit next turned to the district court’s conclusion that IXYS had admitted that its accused devices satisfied an “annular” claim limitation with respect to the ’699 patent only, because IXYS did not list the “annular” claim limitation as a disputed claim term for the ’699 patent, which constituted an admission under the Central District of California Local Rules. The jury, however, found that claims in the ’725 and ’767 patents reciting the “annular” limitation were not satisfied by the accused devices. The Federal Circuit rejected the district court’s decision, noting that it had already implicitly rejected IR’s argument on this issue in its prior appeal. The Court concluded that its mandate in the prior appeal required the district court to treat the “annular” limitation the same in all three patents, and thus the jury’s verdict of noninfringement as to the “annular” limitation in the ’725 and ’767 patents carried over to the corresponding limitation in the asserted claims of the ’699 patent.

Court Remands for Limited Jurisdictional Discovery as to Whether Patents Fell Within Scope of Inventor’s Employment Agreement

Matthew A. Levy

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

[Appealed from W.D. Tex., Judge Yeakel]

In *DDB Technologies, L.L.C. v. MLB Advanced Media, L.P.*, No. 07-1211 (Fed. Cir. Feb. 13, 2008), the Federal Circuit affirmed-in-part and vacated-in-part the district court’s ruling dismissing DDB Technologies, L.L.C.’s (“DDB”) patent infringement suit for lack of subject matter jurisdiction, and remanded for limited jurisdictional discovery. The Court held that the interpretation of a patent assignment

clause in an employment agreement was a matter of federal law. Even though the district court had not addressed the question, the Federal Circuit also held that a factual issue regarding patent ownership was intimately bound up with standing and, therefore, did not need to be tried to the jury.

DDB sued MLB Advanced Media, L.P. (“MLBAM”) for infringement of several patents. The technology of the patents was developed while the inventor, David Barstow, was employed by Schlumberger

Technology Corporation (“Schlumberger”). Barstow had entered into an employment agreement with Schlumberger that, inter alia, assigned the rights to any technology he invented during his employment. Barstow claimed that the patented technology was a personal project not covered by the employment agreement, and several former Schlumberger employees testified that they knew generally of the project and did not believe it belonged to Schlumberger. Several months after the suit against MLBAM was filed, Schlumberger assigned all of its rights in the patents-in-suit to MLBAM and granted a retroactive license.

MLBAM moved the district court to dismiss for lack of subject matter jurisdiction based on DDB’s failure to join all the owners of the patents and MLBAM’s interest in the patents. The district court denied DDB’s request for additional jurisdictional discovery and granted the motion to dismiss. The district court held that the patents-in-suit were related to Barstow’s work for Schlumberger and, therefore, were covered by the employment agreement. The district court also found that the patent assignment clause operated automatically and, therefore, DDB’s equitable and statute of

“[T]he question of whether a patent assignment clause creates an automatic assignment or merely an obligation to assign is intimately bound up with the question of standing in patent cases. We have accordingly treated it as a matter of federal law.”
Slip op. at 8.

limitations defenses were barred. Because Schlumberger, and then MLBAM, was a co-owner of the patents, the district court determined that it lacked subject matter jurisdiction because DDB had not joined Schlumberger and could not join MLBAM.

The Federal Circuit agreed with the district court that, assuming the patents-in-suit were covered by the plaintiff's original employment agreement with Schlumberger, the agreement would have assigned them automatically. As a result, the district court properly rejected the plaintiff's statute of limitations and equitable defenses against Schlumberger's claim of ownership. However, the Federal Circuit agreed with DDB that there was a factual question of whether the employment agreement covered the patents-in-suit, and remanded for additional discovery on that issue.

The Court first looked at DDB's statute of limitations and estoppel defenses against Schlumberger's claim of ownership. If the inventor's employment agreement assigned his rights to Schlumberger automatically, Texas law precluded him from asserting any equitable defenses against the assignee. The Federal Circuit noted that the question of whether a patent assignment clause creates an automatic assignment or merely an obligation to assign is intimately bound up with the question of standing in patent cases, and is therefore a matter of federal law. Applying federal law, the Court examined the contractual language of the employment agreement and found that there was not merely an agreement to assign, but an express assignment of rights in future inventions. The Court therefore found that the agreement operated automatically, and DDB's statute of limitations and estoppel defenses were properly dismissed.

The Federal Circuit then addressed whether the employment agreement covered the patents-in-suit, an issue governed by Texas law. DDB argued that it was entitled to a jury trial on the underlying factual questions because the

jurisdictional facts were intertwined with the merits of its claim of patent infringement. The Court observed that the right to a jury trial on disputed jurisdictional facts that also implicate the merits of plaintiff's cause of action was an issue of first impression for the Federal Circuit. The Court held that the appropriate standard is to look to the degree of intertwinement between the jurisdictional facts and the facts underlying the merits of the cause of action to determine whether dismissal on jurisdictional grounds is appropriate, or whether resolution of the issues must await SJ proceedings or trial on the merits.

Applying this standard, the Court found that the interpretation of the employment agreement, which depended in part on state contract law and in part on Federal Circuit law regarding patent assignment clauses, was not so intertwined with the substantive federal patent law governing DDB's infringement claims and MLBAM's invalidity counterclaims that dismissal on jurisdictional grounds would be inappropriate. Therefore, DDB had no right to a jury trial on the issue of standing.

In the alternative, DDB argued that it should have been entitled to jurisdictional discovery before the district court dismissed on jurisdictional grounds. The Court agreed with DDB that the employment agreement was ambiguous with respect to whether it covered the patents-in-suit, and agreed that additional jurisdictional discovery was appropriate. Given the central relevance of the information sought by DDB, it was an abuse of discretion for the district court to deny jurisdictional discovery. The Court remanded with instructions to allow limited jurisdictional discovery and to reconsider the dismissal in light of that new discovery.

In an opinion dissenting-in-part and concurring-in-part, Judge Newman agreed with the majority that additional jurisdictional discovery was appropriate. However, she criticized the majority for holding that DDB's statute of limitations, waiver, and estoppel defenses were

without merit, instead of waiting for additional discovery on these issues. Judge Newman also criticized the majority for applying federal rather than state law to the interpretation of the employment agreement. “Neither state employment law, nor the jury role,” she wrote, “can be eliminated by designating a disputed factual issue as related to ‘standing’ and therefore ‘jurisdictional.’” Newman Dissent at 6.

Construction of the Claim Term “Binary Code” That Would Encompass “Trinary Code” Was Internally Inconsistent and Contradicted the Specification

Jeremy P. Bond

Judges: Rader (author), Clevenger, Dyk

[Appealed from N.D. Ill., Judge Moran]

In *Chamberlain Group, Inc. v. Lear Corp.*, Nos. 07-1314, -1467 (Fed. Cir. Feb. 19, 2008), the Federal Circuit reversed the district court’s construction of the claim term “binary code,” vacated the preliminary injunction it had granted against Lear Corporation (“Lear”), and remanded.

The Chamberlain Group, Inc. (“Chamberlain”) owns U.S. Patent No. 6,154,544 (“the ’544 patent”). The ’544 patent is directed to an invention that improves security in remote-control garage door openers. The remote-control garage door opening systems claimed in the ’544 patent comprise a transmitter and a receiver. The transmitter and receiver communicate via an encrypted signal. In the claimed invention, part of the signal changes with each transmission (rolling or variable code). The rest of the signal remains fixed (fixed code). To further enhance signal encryption, the variable code is converted from a

“binary code” to a “trinary code” before signal transmission. The receiver compares the transmitted fixed code and the variable code with stored codes to activate the door opener.

Chamberlain and Johnson Controls Interiors LLC, Chamberlain’s exclusive licensee, sued Lear, charging Lear with infringement of the ’544 patent. The district court construed “binary code” as “a code in which each code element may be either of two distinct kinds of values, which code may represent various kinds of letters and numbers including, but not limited to, a representation of a base 2 number,” and stated that “binary code” could not encompass a trinary code. Slip op. at 4. Then, on Chamberlain’s motion for a preliminary injunction, the district court noted that the parties agreed that computers necessarily operate in “binary code.” While Lear characterized its transmitter as using only trinary numbers, Lear conceded that this trinary number was still represented by 0s and 1s in a computer. The district court characterized Lear’s trinary number, as represented in a computer, as a “binary-coded trinary number,” and on this basis found that Lear’s transmitter would likely satisfy the “binary code” limitation, as claimed by the ’544 patent. *Id.* at 5. From there, the district court evaluated the remaining parts of the traditional four-factor test for injunctive relief and imposed a preliminary injunction on Lear. Lear appealed.

On appeal, the Federal Circuit reversed the district court’s construction of “binary code.” In so doing, the Court observed that the district court interpreted “binary code” to refer to the basic form for computer expression or storage of a given number, rather than its meaning. The Court noted that under the district court’s interpretation, “binary code” could refer to any numbering system expressed as 0s and 1s, including binary numbers and trinary numbers. The Court reasoned that while the district court’s construction may represent an ordinary reading of “binary code,” the ’544 patent restricted “binary code” to a narrower meaning.

In examining the meaning of “code” as used in the claims, the Court found that the term “trinary code” was relevant in construing “binary code” because the term “code” presumptively should carry the same meaning throughout the ’544 patent. The parties agreed that “binary” meant “base 2” and “trinary” meant “base 3,” or as claim 1 recited, “three-valued.” Thus, the Court noted that “binary code” and “trinary code” should have parallel meanings, differing only insofar as “binary” and “trinary” differ in their relationships to the numbers 2 and 3.

The Court observed that because the trinary code of the ’544 patent is stored in the transmitter’s microcontroller, and the transmitter’s microcontroller, like other computers, undisputedly stores and processes data as sequences of 0s and 1s, “trinary code” as used in the ’544 patent means values stored and processed in the binary language as 0s and 1s. The Court noted that the district court’s construction of “binary code” as encompassing anything in 0s and 1s in a computer would therefore also encompass values expressed in “trinary code,” as the latter term is used in the ’544 patent. However, the Court reasoned that “binary code” cannot include “trinary code,” as even the district court recognized. The ’544 patent claims and specification did not permit such an overlap, noted the Court. Accordingly, it concluded that the district court’s construction of “binary code” was “internally inconsistent and contradictory to the rest of the patent.” *Id.* at 12. To resolve this contradiction, the Court construed “binary code” as being limited to binary numbers and “trinary code” as being limited to trinary numbers. It explained that the “binary-coded trinary numbers” described by the district court were therefore trinary codes, not binary codes.

In light of its claim construction, the Federal Circuit vacated the preliminary injunction, noting that the errors in claim construction will fundamentally influence the likelihood of success in proving infringement, and remanded.

Showing Substantial Question of Invalidity During Preliminary Injunction Proceedings Requires Less Proof Than the “Clear and Convincing” Standard

Bart A. Gerstenblith

Judges: Newman (dissenting), Rader (author), Dyk

[Appealed from N.D. Ohio, Judge O’Malley]

In *Erico International Corp. v. Vutec Corp.*, No. 07-1168 (Fed. Cir. Feb. 19, 2008), the Federal Circuit vacated the district court’s grant of preliminary injunction, finding that defendant Doc’s Marketing Corporation (“Doc’s”) raised a substantial question as to the validity of the patent at issue.

Erico International Corporation (“Erico”) develops and manufactures a variety of fasteners used in the installation of electrical and communications cables for commercial buildings and other facilities. In particular, Erico sells a popular J-Hook fastener. The J-Hook is a metal device that supports lengths of cable. Erico, through the inventor, Raymond Laughlin, obtained U.S. Patent No. 5,740,994 (“the ’994 patent”) on its J-Hook and the method for its use.

In a first reexamination of the ’994 patent, the PTO cancelled numerous apparatus claims on the J-Hook. Specifically, the PTO found the apparatus claims obvious under 35 U.S.C. § 103 in light of three references, one of which was an OBO Bettermann publication. The Board affirmed the cancellations. Claim 17, the method of using the J-Hook, survived reexamination.

Doc’s manufactures a variety of hardware items and specifically manufactures and sells J-Hooks, which it concedes are copies of Erico’s J-Hook. Erico discovered that Doc’s was selling a copy

of its J-Hook and filed suit to enjoin Doc’s alleged infringement of claim 17 of the ’994 patent. Doc’s then challenged the validity of claim 17.

“[A] showing of a substantial question of invalidity requires less proof than the clear and convincing standard to show actual invalidity.” Slip op. at 8.

The district court considered the traditional four factors for a preliminary injunction and particularly emphasized the “likelihood of success.” In analyzing Erico’s likelihood of success on the merits, the district court considered three defenses raised by Doc’s: (1) inequitable conduct by Erico in obtaining the patent; (2) on-sale bar under 35 U.S.C. § 102(b); and (3) obviousness under 35 U.S.C. § 103.

First, the district court found that Doc’s did not prove that Erico intended to defraud the PTO, even though Doc’s alleged that Erico did not disclose the 1990 Electronics Industries Alliance/Telecommunications Industry Association (“EIA/TIA”) standard that sets forth a spacing standard for open-top cable supports. The district court found that those facts alone did not show that Doc’s was likely to succeed on its inequitable conduct argument.

Second, the district court also found that § 102(b) does not likely apply because Doc’s presented no evidence that anyone actually practiced the method of claim 17 *by using a J-Hook* more than one year before the filing date of the ’994 patent.

Third, the district court also found that Doc’s third invalidity defense was not likely to succeed. Doc’s asserted that claim 17 was invalid as obvious over the OBO Betterman publication in combination with the 1990 EIA/TIA spacing standards. The district court found that the conforming standards identified in the ’944 patent are the very spacing requirements set forth in the 1990 EIA/TIA standard. However, the district court found Doc’s obviousness defense likely to fail because

it believed that the same evidence was before the PTO during the reexamination proceedings. Additionally, the district court found that secondary considerations of nonobviousness cut in Erico’s favor.

On appeal, Doc’s contended that it raised a substantial question that claim 17 was invalid as obvious over the hook disclosed in the OBO Betterman publication in combination with the EIA/TIA standard, which was supported by Mr. Laughlin’s testimony regarding cable installation practices. Further, Doc’s contended that the district court misinterpreted the PTO’s consideration of the EIA/TIA standards because the PTO’s second reexamination cast doubt that the “conforming standards” mentioned in the ’994 patent were the same as the 1990 EIA/TIA standard and that the PTO had considered the 1990 standard during the first reexamination.

Erico, on the other hand, asserted that the district court performed a proper obviousness analysis under *KSR International Co. v. Teleflex, Inc.*, 550 U.S. ___, 127 S. Ct. 1727 (1997). Erico contended that the district court correctly rejected Doc’s validity challenge because the PTO reexamined the ’944 patent in view of the OBO Betterman publication and the disclosure of “conforming standards” in the patent itself, and that the district court is not bound by decisions of the PTO.

The Federal Circuit explained that during preliminary injunction proceedings, a defendant must put forth a substantial question of invalidity to show that the claims at issue are vulnerable, but need not prove actual invalidity. “Thus,” the Court stated, “a showing of a substantial question of invalidity requires less proof than the clear and convincing standard to show actual invalidity.” Slip op. at 8.

The Federal Circuit found that the OBO Betterman publication, coupled with the EIA/TIA standards and Mr. Laughlin’s testimony, presented a serious challenge to the validity of claim 17. First, the OBO Betterman publication disclosed a hook fastener with downwardly flared flanges nearly identical to

the Erico J-Hook. To the Court, the downwardly flared flanges implicitly pointed to the reasonableness of sag in cables installed by using OBO Betterman fasteners. Second, the EIA/TIA standard disclosed the appropriate spacing used between open-top cable supports. Further, the Court noted that OBO Betterman fasteners and the J-Hooks are similar to open-top cable supports in that cables are suspended between supporting members (i.e., J-Hooks, rungs of an open-top cable ladder).

Additionally, the Court stated that “[i]t is reasonable to see that downwardly flared flanges coupled with the EIA spacing requirements could implicitly motivate a person of ordinary skill to use J-Hooks with the EIA spacing to achieve cable sag of no more than about 30 centimeters.” *Id.* at 9 (citing *KSR*, 127 S. Ct. at 1743). Further, Mr. Laughlin’s testimony both demonstrated an implicit motivation to combine the prior art and showed the reasonableness of installing cables using open-top cable supports with EIA spacing standards resulting in less than 30 centimeters of sag.

Even assuming the accuracy of the district court’s secondary consideration analysis, the Federal Circuit found it “reasonable to infer that one of ordinary skill would have considered the OBO Betterman hook coupled with the EIA standards and common knowledge within the art as shown by Mr. Laughlin’s testimony to explain that Claim 17 is vulnerable based on invalidity.” *Id.* at 10-11. Thus, Doc’s obviousness challenge cast enough doubt on the validity of claim 17 to “negate likelihood of success on the merits as to infringement of a valid patent.” *Id.* The Court thus vacated the preliminary injunction.

In dissent, Judge Newman leveled multiple criticisms at the panel majority for applying an incorrect standard to the preliminary injunction factor of likelihood of success on the merits and departing from the policy guidance of precedent. In particular, Judge Newman asserted that the panel majority did not explain how the district court abused its discretion, did not apply the

proper standard of review, and did not consider the equitable factors supporting the grant of this preliminary injunction. Importantly, she disagreed with the majority that casting doubt or raising a question about a patent’s validity was sufficient to show that an alleged infringer was likely to succeed on the merits; rather, “[p]recedent is clear that the standard is the likelihood of success at trial, with recognition of the presumptions and burdens.” Newman Dissent at 5. Further, she faulted the majority for disregarding the objective evidence of commercial success and the defendants’ admitted copying. Finally, she criticized the majority for failing to consider the other factors traditionally considered in ruling on a preliminary injunction, including the balance of harms, which the district court had found in favor of Erico based on the potential price and market erosion it faced from competition with Doc’s.

Experimentation That Was Conducted to Determine Whether the Invention Would Suit a Particular Customer’s Purpose Without Inventor Control Did Not Fall Under the Experimental Use Exception

Judy Chung

Judges: Mayer (author), Dyk, Prost (concurring)

[Appealed from N.D. Ga., Judge Evans]

In *Atlanta Attachment Co. v. Leggett & Platt, Inc.*, No. 07-1188 (Fed. Cir. Feb. 21, 2008), the Federal Circuit reversed the district court’s grant of SJ in favor of Atlanta Attachment Company (“Atlanta”), holding that embodiments of Atlanta’s U.S. Patent No. 6,834,603 (“the ’603 patent”) were on sale before the critical date, and

remanded for the district court to reconsider the allegation of inequitable conduct.

Atlanta developed the invention of the '603 patent in response to a request from Sealy, Inc. ("Sealy") to create an automatic gusset ruffler machine. Atlanta developed a total of four prototypes, which it presented for sale to Sealy along with offers to sell production models. The first and second prototypes were sent to Sealy. Sealy tested these prototypes, gave verbal comments, and returned them to Atlanta. The third prototype was not sent to Sealy. Although Sealy paid for this prototype, its representatives inspected this prototype at Atlanta's facilities on February 7, 2001, before the critical date of March 5, 2001. The final prototype, which was substantially similar to the third prototype, was delivered to Sealy on April 10, 2001.

In August 2002, Atlanta filed the '603 patent application claiming priority to a provisional application filed on March 5, 2002. After the '603 patent application matured into a patent, Atlanta sued Leggett & Platt, Inc. ("Leggett") alleging infringement of claim 32 of the '603 patent. Leggett responded that its machines did not infringe claim 32; that claim 32 was invalid due to various reasons, including Atlanta's sales to Sealy; and that the '603 patent was unenforceable due to inequitable conduct. The district court construed the claim terms and granted SJ in favor of Atlanta. It found that Leggett's machines infringed claim 32 and that claim 32 was not invalid or unenforceable, noting, inter alia, that the three precritical date prototypes were not on sale because none of the precritical date prototypes reduced the limitations of claim 32 to practice, and because the prototype sales were experimental uses. Leggett appealed.

On appeal, the Federal Circuit explained, relying on *Pfaff v. Wells Electronics, Inc.*, 525 U.S. 55 (1998), that an invention is barred under the on-sale bar of 35 U.S.C. § 102(b) when it is both

(1) the subject matter of a commercial offer for sale before the critical date, and (2) ready for patenting at the time of the offer. The Court noted that when the asserted basis of invalidity is the on-sale bar, a court should determine whether the subject of the barring activity met each of the limitations of the claim and, thus, was an embodiment of the claimed invention. The Court found the third prototype met all the limitations of claim 32 and focused its on-sale bar analysis on the third prototype.

The Court observed that to meet the commercial offer prong of *Pfaff*, the offer must be sufficiently definite that another party could make a binding

contract by simple acceptance, assuming consideration. It noted, however, that an inventor's experimental use does not bar patentability. The Court determined that although the third prototype was never actually delivered to Sealy, it was indeed sold to Sealy because Atlanta sent Sealy an invoice for the machine (an offer), and Sealy paid for the machine (an acceptance). The Court rejected Atlanta's argument that its sales to Sealy were experimental, stating that "experimentation conducted to determine whether the invention would suit a particular customer's purposes [did] not fall within the experimental use exception." Slip op. at 6. It found additionally that Atlanta was not experimenting within the experimental use exception because Atlanta did not have control over the alleged testing to establish experimentation. In addition, the Court found that the first prong of *Pfaff* was also met, and experimental use was negated, because Atlanta had presented a commercial offer for sale of the invention "en masse." *Id.* at 7.

"An offer to mass produce production models does not square with experimentation under any standard; it is commercial exploitation." Slip op. at 8.

With respect to the ready for patenting prong of *Pfaff*, the Federal Circuit determined that because the third prototype was a reduction to

practice of claim 32, the invention was ready for patenting. The Court explained that there are at least two ways to meet the ready for patenting prong: (1) prior to the critical date, the device was reduced to practice; or (2) there is proof that prior to the critical date, the inventor had prepared drawings or other descriptions of the invention that were sufficiently specific to enable a person skilled in the art to practice the invention. It noted further that an invention is reduced to practice when it works for its intended purpose, which can be established through a demonstration of its workability or utility. The Court found that because the third prototype demonstrated the workability and utility of the invention of claim 32 during Atlanta's February 2001 demonstration to Sealy, claim 32 was reduced to practice and, thus, ready for patenting. It noted that an invention may be considered reduced to practice "even though it may later be refined or improved," and that while improvements were possible and ultimately made in the fourth prototype, the deficiencies in the third prototype did not prevent reduction to practice of the invention actually claimed. *Id.* at 9.

Accordingly, because the third prototype was both the subject of a commercial offer for sale before the critical date and was reduced to practice at the time, the Federal Circuit held that claim 32 was invalid due to the on-sale bar. In addition, the Court noted that the third prototype was material to examination because it was on sale. It explained, however, that materiality does not presume intent. Because the district court had not considered the issue of intent, the Court remanded for the district court to reconsider the allegation of inequitable conduct.

In a concurring opinion, joined by Judge Dyk, Judge Prost addressed the confusion in the Federal Circuit's case law regarding the applicability of the experimental use doctrine to the two-prong test for the on-sale bar. Judge Prost observed that the Federal Circuit has repeatedly found that the experimental use

doctrine cannot provide an exception to the on-sale bar once an invention is reduced to practice. Under this rule, noted Judge Prost, the experimental use doctrine would only exist between the time an invention was ready for patenting and the time it was reduced to practice. She contended that such a result would severely restrict the rights of inventors to conduct ongoing work on an invention and that they could do so only in private without using outside resources that may be necessary. According to her, *Pfaff* indicates that the experimental use doctrine should apply more broadly than the limited period suggested by a reduction to practice cutoff. She reasoned that because an invention is complete when it is either ready for patenting or reduced to practice, the experimental use doctrine must remain available after that stage. Nonetheless, Judge Prost agreed with the majority and found that Atlanta could not use the experimental use doctrine to avoid the first prong of the on-sale bar because it did not demonstrate experimental purposes for the sale.

The District Court Did Not Abuse Its Discretion in Dissolving an Injunction in Light of *eBay*, but It Should Have Explained Its Post-Verdict Damages Award

Joyce Craig

Judges: Bryson, Clevenger, Linn (author)

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

In *Amado v. Microsoft Corp.*, Nos. 07-1236, -1255 (Fed. Cir. Feb. 26, 2008), the Federal Circuit affirmed the district court, holding that it had not abused its discretion in extending the stay of a permanent injunction against Microsoft Corporation ("Microsoft") in dissolving the permanent injunction in light of *eBay, Inc. v.*

MercExchange, LLC, 126 S. Ct. 1837 (2006), and in denying Microsoft’s motion for relief from judgment because of post-trial reexamination. However, because the district court failed to adequately explain the basis for its post-verdict damages award and because the Supreme Court’s decision in *Microsoft Corp. v. AT&T Corp.*, 127 S. Ct. 1746 (2007), may affect those damages, it vacated-in-part and remanded.

Carlos Armando Amado owns U.S. Patent No. 5,293,615 (“the ’615 patent”) relating to a software program that combines the functionalities of spreadsheet and database software. Amado sued Microsoft, alleging that certain versions of Microsoft’s Office Suite infringed his patent. A jury found the ’615 patent valid and infringed, and awarded Amado \$0.04 per unit in damages. The district court granted Amado’s request for a permanent injunction, but stayed the injunction until seven days after appeal. Microsoft and Amado appealed.

On appeal, the Federal Circuit affirmed in all respects. *Amado v. Microsoft Corp.*, 185 Fed. App’x 953 (Fed. Cir. 2006) (“*Amado I*”). On remand, the district court (1) extended the stay of the permanent injunction so it could consider Microsoft’s motion to dissolve the injunction in light of *eBay*; (2) subsequently dissolved the injunction; (3) denied Microsoft’s motion for relief from judgment based on alleged disclaimers made during post-trial reexamination; and (4) awarded Amado \$0.12 per infringing unit from the escrow account for sales made during the period of the stay. Amado and Microsoft appealed.

On appeal, the Federal Circuit first addressed the issue of whether the district court erred by extending the stay of the permanent injunction past seven days after appeal, the period specified in its original order. When Amado sought to enforce the injunction after remand in *Amado I*, the district court interpreted its order staying the injunction to include a petition for certiorari to the U.S. Supreme Court. In addition, after

denial of certiorari, the district court granted Microsoft’s motion to extend the stay. Amado argued that the district court’s interpretation of “appeal” as including a petition for certiorari was an error. The Federal Circuit disagreed, noting that a district court’s interpretation of its order is entitled to deference unless the interpretation is unreasonable or is otherwise an abuse of discretion. The Court explained that the district court’s interpretation of “appeal” as including a petition for certiorari was reasonable and, thus, worthy of deference.

The Federal Circuit also rejected Amado’s argument that, because the original order staying the injunction was incorporated into the *Amado I* mandate, the district court lacked power to modify the terms of the injunction or the stay. The Court explained that “district courts possess broad equitable authority to modify injunctions,” regardless of whether the order that originally set the terms of the stay is incorporated into an appellate mandate.

Slip op. at 7. The Court held that the district court did not abuse its discretion by extending the stay of the injunction in order to address pending motions.

The Federal Circuit next considered Amado’s argument that the district court erred in dissolving the permanent injunction in light of *eBay*. The Court agreed with Amado that the grant of the permanent injunction was within the scope of the *Amado I* mandate and that because Microsoft failed to challenge that grant, it

“When a district court concludes that an injunction is warranted, but is persuaded to stay the injunction pending an appeal, the assessment of damages for infringements taking place after the injunction should take into account the change in the parties’ bargaining positions, and the resulting change in economic circumstances, resulting from a determination of liability . . . as well as the evidence and arguments found material to the granting of the injunction and the stay.”
Slip op. at 14.

became a part of the Court's mandate. It rejected Microsoft's argument that *eBay* was an intervening decision and, thus, an exception to the mandate rule. The Court noted that *eBay* was handed down after the completion of briefing but prior to oral argument in *Amado I*. It explained that Microsoft thus had the opportunity during *Amado I* to challenge the district court's grant of a permanent injunction on the basis of *eBay*, but declined to do so. Accordingly, the Court concluded that the mandate rule operated as a bar to the district court's reconsideration of the initial issuance of the injunction.

The Court noted, however, that there is a fundamental difference between the granting of retrospective relief and the granting of prospective relief. It explained that "[w]hile the mandate rule would prevent the district court from dissolving the injunction ab initio, it [did] not preclude the district court from modifying, or dissolving, the injunction if it determine[d] that it [was] no longer equitable." *Id.* at 10-11. It concluded that the district court was well within its discretion in this case to reconsider the prospective application of the permanent injunction in light of *eBay* and that it did not abuse its discretion in dissolving the injunction after determining that an injunction was no longer equitable under the circumstances.

The Court then turned to the district court's award of a post-verdict royalty of \$0.12 per infringing unit sold during the stay of the injunction. To arrive at that figure, the district court trebled the jury's award of \$0.04. Amado argued that the district court abused its discretion by failing to award the full \$2.00 per infringing unit, which the district court had required Microsoft to place into an escrow as a condition of the stay of the injunction. The Federal Circuit rejected this argument, noting that the district court's order staying the injunction never set an amount Amado would receive if successful on appeal.

On the other side of the royalty dispute, Microsoft argued that the district court was permitted to award Amado no more than the \$0.04 reasonable royalty awarded by the jury. The Federal Circuit also disagreed with Microsoft, pointing to the "fundamental difference . . . between a reasonable royalty for pre-verdict infringement and damages for post-verdict infringement." *Id.* at 13. The Court, however, found that the district court may have erred in basing its post-verdict damages on an award for pre-verdict infringement, as determined by the jury. The Court set forth the factors the district court should have considered, including any change in the parties' bargaining positions and any change in economic circumstances resulting from the determination of liability. Because the district court failed to adequately explain the basis for its award of \$0.12 per infringing unit sold, the Federal Circuit held that it was unable to determine whether the district court's award was a reasonable exercise of its discretion, vacated the award, and remanded for reconsideration.

The Federal Circuit next considered Microsoft's argument that the district court erred in denying Microsoft's motion for relief from judgment pursuant to Rule 60(b)(6), which grants federal courts broad authority to relieve a party from a final judgment "upon such terms are just" so long as the moving party demonstrates extraordinary circumstances suggesting the party is faultless in any delay. Microsoft had moved for relief from judgment because Amado allegedly narrowed the scope of his patented invention by statements he made to the PTO during the reexamination of the '615 patent. The district court denied Microsoft's motion, noting that Microsoft delayed in filing its request for reexamination. Because Microsoft did not show any extraordinary circumstances, the Federal Circuit concluded that the district court had not abused its discretion when it denied Microsoft's motion.

Finally, the Court considered Microsoft's argument that any damages award to Amado

must be adjusted in light of the Supreme Court’s ruling in *AT&T*, which was decided after the parties filed the appeal, and which held that liability under 35 U.S.C. § 271(f) does not extend to the installation of software onto a computer abroad when the copies are not “supplied” from the United States. Specifically, Microsoft argued that any damages should be limited to products manufactured or sold in the United States. The Federal Circuit noted that although Microsoft was entitled to raise *AT&T*, it was unable to determine whether the infringing products sold by Microsoft were provided in such a way as to not be “supplied from the United States” to extinguish § 271(f) liability. The Court concluded that the district court, which presided over the trial, was better suited to decide the applicability of *AT&T*, and may do so when it reconsiders the proper disbursement of funds from escrow on remand.

Tangential Exception Applied to Prevent Prosecution History Estoppel

Antigone G. Kriss

Judges: Mayer, Lourie (author), Prost (dissenting-in-part)

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

In *Regents of the University of California v. Dakocytomation California, Inc.*, Nos. 06-1334, -1452, 07-1202 (Fed. Cir. Feb. 28, 2008), the Federal Circuit affirmed the district court’s denial of a preliminary injunction, affirmed-in-part the grant of SJ of noninfringement as to one patent, and reversed-in-part the district court’s grant of SJ of noninfringement as to a second patent. The Court remanded for further proceedings in light of its revised claim construction and its holding that the patentee is not precluded from asserting infringement of the claim limitation “blocking nucleic acid” under the DOE.

The Regents of the University of California, Abbott Molecular, Inc., and Abbott Laboratories, Inc. (collectively “the Regents”) are the owners and exclusive licensees of two patents, U.S. Patent Nos. 5,447,841 (“the ’841 patent”) and 6,596,479 (“the ’479 patent”). The ’841 and the ’479 patents are directed towards improved methods for identifying and classifying chromosomes in order to detect chromosomal abnormalities. Dako A/S and Dako North America, Inc. (collectively “Dako”) manufacture and sell HER2 FISH pharm DX kits (“HER2 kits”), which the Regents allege infringe the ’841 and the ’479 patents. The district court denied the Regents’ motion for a preliminary injunction to enjoin manufacture and sale of the HER2 kits, concluding they failed to show a likelihood of success on the merits in light of its claim construction determinations. The Regents appealed from this denial. Additionally, the district court later granted partial SJ of noninfringement based, inter alia, on its claim construction determinations and the conclusion that the Regents were barred from asserting infringement of a claim limitation under the DOE. The Regents filed an interlocutory appeal after the district court certified its order granting partial SJ of noninfringement.

On appeal, the Federal Circuit considered the preliminary injunction and SJ appeals together in view of the overlapping issues affecting both appeals. First, the Court affirmed the district court’s construction of a “heterogeneous mixture of labeled unique sequence nucleic acid fragments,” a limitation that is required by every claim of the ’479 patent. The Court stated that the district court initially erred in reasoning that the heterogeneous mixture excludes repetitive sequences in light of the ’841 patent, which the district court characterized as prior art to the ’479 patent. After realizing its error, however, the district court issued an amended preliminary injunction order that instead rejected the Regents’ proposed claim construction because it would likely render the ’479 patent invalid for obviousness-type double patenting in view of

the '841 patent. The Court agreed that the patentee disclaimed embodiments that included repetitive sequences during prosecution of the '479 patent and that the accused products, which employ a mixture that includes repetitive sequences, did not infringe the '479 patent.

In fact, the Court found that the prosecution history “sheds decisive light” on the scope of the claim term. Slip op. at 12. During prosecution of the '479 patent, the original claim was cancelled and replaced with a new independent claim after the examiner issued rejections for lack of enablement, anticipation, and indefiniteness. The Court concluded that the patentees added the “unique sequence” limitation to this claim to overcome the enablement rejection and that statements made during prosecution with respect to this limitation evidenced a clear and unmistakable intent to limit the claims to embodiments that excluded repetitive sequences from the DNA mixture to disable the hybridization capacity of those repetitive sequences. Though the patentees did not expressly state that this limitation was added in response to the examiner’s enablement rejection, the Court noted that the examiner recognized that the original claim failed to include a limitation directed towards a problem that existed in the prior art—reducing the nonspecific binding of repetitive sequences—and that this problem would not arise with the new claim that restricted the heterogeneous mixture to labeled probes of “unique sequences.” The Court also stated that this conclusion was supported by the patentees’ decision to limit the '841 patent to the blocking method claims and to pursue certain claims in the '479 patent.

The Court rejected the Regents’ argument that the “unique sequences” limitation was added to overcome the anticipation rejection and had nothing to do with the issue of nonspecific binding of repetitive sequences. The Court noted that one of the anticipation references disclosed the unique sequence probes and that the patentees’ statements accompanying the

amendment pointed to other amended claim language to overcome the anticipation rejection. Thus, the Court found “no basis for reversing the [district] court’s claim construction.” *Id.* at 18. Having found that the patentee limited the scope of the heterogeneous mixture to one that contains only unique sequences of nucleic acid fragments, the Court affirmed the district court’s grant of SJ of noninfringement as to the '479 patent.

The Court then turned to the district court’s determination on SJ that the '841 patent was not infringed by two accused products—the HER2 kit and the TOP2A kit. The Court concluded that the district court erred in applying prosecution history estoppel to the claim limitation “blocking nucleic acid,” which is present in all claims of the '841 patent. The Court stated that because the prosecution history suggests that the patentees limited the claim to the blocking method at least in part to overcome the examiner’s rejections, the patentees presumptively surrendered all equivalents of the “blocking nucleic acid” limitation. However, the Court determined that the prosecution history reveals that in narrowing the claim to overcome the prior art rejections, the focus of the patentees’ arguments centered on the method of blocking, not on the particular type of nucleic acid that could be used for blocking. Indeed, the “nucleic acid” limitation was never narrowed during prosecution and was not at issue in the office action rejecting the claims, the Examiner Interview Summary Record, or the patentees’ remarks accompanying the amendment. Thus, the Court concluded that the Regents met their burden of showing that the amendment did not surrender the equivalent in question because the narrowing amendment was only tangential to the accused PNA equivalent found in Dako’s accused kits—the peptide nucleic acid. Accordingly, the Court remanded this issue for the district court to consider whether Dako’s products infringe the '841 patent under the DOE.

In considering the preliminary injunction denial, the Federal Circuit noted that it already considered the “heterogeneous mixture” claim construction issue and agreed with the district court’s construction of this claim limitation. Thus, it also affirmed the district court’s denial of the preliminary injunction based on the failure to show a likelihood of success that Dako’s HER2 kit met this limitation of the ’479 patent. The Federal Circuit then turned to the remaining issue presented in the preliminary injunction appeal—the construction of a “morphologically identifiable cell nucleus.” The Court noted that this issue need not be reached in order to consider the merits of the preliminary injunction denial, but decided to consider it in the interest of judicial efficiency, as the issue had been fully briefed and that term would likely be at issue on remand.

The Court determined that the district court erred in its construction of this term. First, the plain language of the claim term “morphologically identifiable cell nucleus” suggests that the nucleus must be identifiable by form or structure, and does not indicate that a full set of chromosomal DNA must be present in the cell nucleus in contrast to the district court’s construction of this term as “a single cell nucleus that contains the full complement of chromosomal DNA.” Dako did not dispute that the word “morphological” generally refers to form or structure, not to identity of chromosomal DNA content. Also, the prosecution history of the ’841 patent revealed that the term “morphologically identifiable cell nucleus” was added to the claim to clarify that the target chromosomal DNA remained in a natural biological structure during in situ hybridization. The Court stated that nowhere in the prosecution history, or the specification for that matter, did it find any indication that the “morphologically identifiable” language was added to impose a requirement that the cell nucleus must retain its full complement of chromosomal DNA. Thus, the Court held that the proper construction of “morphologically

identifiable cell nucleus” is one that is capable of being identified by its form or structure.

Judge Prost dissented from the Court’s holding that prosecution history estoppel did not apply to the term “blocking nucleic acid.” Judge Prost stated that this conclusion was contrary to the Court’s precedent and to the proper application of prosecution history estoppel, as set forth by the Supreme Court. In her view, the fact that narrowing the claim to a method of blocking with a “blocking nucleic acid” may not have been necessary to distinguish over the prior art did not change the analysis. Here, the amendment narrowed the scope of the invention to a method of disabling repetitive sequences using “blocking nucleic acids” and the parties stipulated that “blocking nucleic acid” means “fragments of repetitive-sequence-enriched DNA or RNA.” Therefore, in Judge Prost’s view, the patentee surrendered methods of blocking other than with DNA or RNA. Judge Prost stated that it is irrelevant to the determination of the scope of the surrendered territory that to overcome the prior art references, the patentee did not need to amend the claims to the scope it used but instead could have amended the claims to a method of disabling repetitive sequences by blocking.

Judge Prost further concluded that the tangential exception of *Festo Corp. v. Shoketsu Kinzoku Kogyo Kabushiki Co.*, 535 U.S. 722, 739-40 (2002), the only one raised before the district court and on appeal, did not save the patentees from a prosecution history estoppel bar. Focusing on the question of whether the amendment was peripheral or not directly relevant to the alleged equivalent, Judge Prost concluded that the amendment limited the claims to a method of disabling repetitive sequences by blocking with DNA or RNA, which are nucleic acid sequences. The accused Dako kit equivalent (PNA), however, functions to do exactly that, i.e., to disable repetitive sequences. Thus, the purpose for the amendment was directly related to the

equivalent—they both related to means for disabling repetitive sequences. Based on this analysis, Judge Prost concluded that the Regents should be estopped from asserting that PNA is an equivalent to “blocking nucleic acid” in the context of the ’841 patent.

District Court’s Dismissal of DJ Action Reversed Because “Reasonable Apprehension of Suit” Test Overruled by *MedImmune*

Christopher Y. Chan

Judges: Newman, Rader (author), Dyk

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

In *Micron Technology, Inc. v. MOSAID Technologies, Inc.*, No. 07-1080 (Fed. Cir. Feb. 29, 2008), the Federal Circuit reversed and remanded the district court’s dismissal for lack of subject matter jurisdiction because the district court relied on a doctrine rejected by the Supreme Court in *MedImmune Inc. v. Genentech Inc.*, 127 S. Ct. 764 (2007). The panel held that because the district court failed to evaluate the “relevant convenience factors,” it would be an abuse of discretion to transfer the action.

Micron Technology, Inc. (“Micron”), Samsung Electronics Company Ltd. (“Samsung”), Hynix Semiconductor Inc. (“Hynix”), and Infineon Technologies of North America (“Infineon”) account for more than 75% of worldwide DRAM sales. MOSAID Technologies, Inc. (“MOSAID”) owns several patents in the field of DRAM chips, which it licenses to the main producers. MOSAID sent warning letters to Micron and the other DRAM manufacturers in 2001. None of the four major DRAM manufacturers took licenses, and MOSAID began enforcing its patents in court. Over the next four years, MOSAID litigated and settled with Samsung, Infineon, and then Hynix.

Micron then filed a DJ action in the Northern District of California against MOSAID seeking a declaration of noninfringement of fourteen of MOSAID’s patents in anticipation of being the next target. The next day, MOSAID filed an infringement action against Micron in the Eastern District of Texas eventually asserting ten patents and naming two additional defendants. The California court eventually dismissed the MOSAID case for lack of subject matter jurisdiction under the “reasonable apprehension of suit” test and stated that even if subject matter jurisdiction were established, it would still exercise its discretion and decline to hear the case. The district court cited to the following three factors for its decision: the record of no threats against Micron for the last four years, no threats to Micron’s customers, and no public comments from MOSAID that mentioned Micron by name.

On appeal, the Federal Circuit noted that the recently decided Supreme Court opinion in *MedImmune* sets forth the correct standard for jurisdiction over a DJ action. In place of the “reasonable apprehension of suit” test, the Supreme Court adopted a more lenient standard where “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 [DJ].” Slip op. at 5 (quoting *MedImmune*, 127 S. Ct. at 771). The record must show an actual controversy between the parties.

“Instead of relying solely on considerations such as tenuousness of jurisdiction, broadness of case, and degree of vestment, as in this case, or automatically going with the first filed action, the more appropriate analysis takes account of the convenience factors under 28 U.S.C. § 1404(a).” Slip op. at 10-11.

The Federal Circuit reasoned that the dispute between Micron and MOSAID is an actual

controversy within the purview of DJ jurisdiction. To come to this conclusion, the Federal Circuit noted that Micron received several threats itself and watched as MOSAID sued each of the other leading DRAM manufacturers while making public statements confirming its intent to continue an aggressive litigation strategy. Further, the fact that MOSAID filed suit in Texas one day after Micron filed in California showed that the “parties in this dispute are really just contesting the location and right to choose the forum for their inevitable suit.” *Id.* at 6. The Court also stated that the objective of the DJ Act is to provide the allegedly infringing party relief from uncertainty and delay regarding its legal rights.

According to the Court, this objective would best be met by allowing the case to be heard in California, rather than by deferring to the forum of the later-filed suit. The Federal Circuit rejected the district court’s discretionary dismissal of the case on insufficient grounds because the original determination was based on the now-defunct “reasonable apprehension of suit” test. Further, the Court gave little weight to the district court’s reliance on the second-filed infringement action being broader (naming additional defendants and additional patents) than the first-filed DJ action. The Court found this reason for transfer unpersuasive because it would allow a patent holder to manipulate jurisdiction by simply adding another defendant or a few additional claims to a later-filed infringement suit.

“Instead of relying solely on considerations such as tenuousness of jurisdiction, broadness of case, and degree of vestment, as in this case, or automatically going with the first filed action, the more appropriate analysis takes account of the convenience factors under 28 U.S.C. § 1404(a).” *Id.* at 10-11. While the district court did not reach a decision on the concurrently filed motion to transfer, the Federal Circuit stated on the facts of this case that the transfer analysis essentially mirrors the considerations that govern whether the California court could decline to hear the case. The factors for such an analysis include the convenience and availability of parties and witnesses, the interest of justice, the party’s intention to preempt another infringement suit, and the possibility of consolidation with related litigation. The general rule also favors the forum of the first-filed action, whether or not it is a DJ action.

Relying on these factors, the Court briefly noted that both Micron and MOSAID conducted business in both California and Texas, there was no favorability over the availability of witnesses or jurisdiction over parties, and there was ongoing litigation requiring consolidation. Therefore, the jurisdiction of the first-filed DJ action appeared to be the more convenient forum for both parties. Accordingly, the Court reversed the SJ and remanded the case to the district court.

Abbreviations | Acronyms

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

Looking Ahead

- On May 8, 2008, the Federal Circuit will hear oral argument en banc in *In re Bilski*, No. 07-113, a case relating to whether abstract ideas or mental processes are patentable subject matter under 35 U.S.C. § 101, and to whether a method must result in a physical transformation of an article or be tied to a machine to be patentable subject matter. The Court has also asked for briefing on whether *State Street Bank & Trust Co. v. Signature Financial Group, Inc.*, 149 F.3d 1368 (Fed. Cir. 1998), and *AT&T Corp. v. Excel Communications, Inc.*, 172 F.3d 1352 (Fed. Cir. 1999), should be overruled in any respect.

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Last Month at the Federal Circuit



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