

Last month at

The Federal Circuit

Month at a Glance



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LAW FIRM SANCTIONED FOR FRIVOLOUS COUNTERCLAIMS

Law firm's failure to perform prelitigation infringement assessment violates Rule 11 and results in sanctions *View Eng'g, Inc. v. Robotic Vision Sys., Inc.*, No. 99-1399 (Fed. Cir. Mar. 29, 2000)1

EQUIVALENT STRUCTURE UNDER 35 U.S.C. § 112, ¶ 6 DEPENDS ON CONTEXT OF INVENTION

In accessing scope of equivalents under 35 U.S.C. § 112, ¶ 6, court considers whether physical characteristics of "means" term are "important to the invention." *IMS Tech., Inc. v. Haas Automation, Inc.*, No. 99-1019 (Fed. Cir. Mar. 27, 2000)2

TRICKY TRANSLATIONS BRING ABOUT INEQUITABLE CONDUCT

Patentee fails to translate material portions of foreign language document. *Semiconductor Energy Lab. Co. v. Samsung Elecs., Co.*, No. 98-1377 (Fed. Cir. Mar. 2, 2000)3

FEDERAL CIRCUIT REFUSES TO "BURN" FUEL PATENT

Court affirms denial of judgment as a matter of law on anticipation and written description defenses. *Union Oil Co. of Cal. v. Atlantic Richfield Co.*, No. 99-1066 (Fed. Cir. Mar. 29, 2000)5

POOL CLEANER PATENT CANNOT "HOLD WATER"

Clear meaning of claim language prevents infringement. *Zodiac Pool Care, Inc. v. Hoffinger Indus., Inc.*, No. 99-1224 (Fed. Cir. Mar. 24, 2000)6

BICYCLE PEDAL PATENTS DO NOT REACH ACCUSED INFRINGER

Plaintiff has standing to assert patents, but fails to convince Court of infringement. *Speedplay, Inc. v. Bebop, Inc.*, No. 98-1527 (Fed. Cir. Mar. 1, 2000)7

ACCUSED INFRINGER "SIDESTEPS" STAIR-CLIMBER PATENT

Prosecution history estoppel bars application of doctrine of equivalents where reasons for adding limitation not given. *Stairmaster Sports/Med. Prods., Inc. v. Groupe Procycle, Inc.*, No. 99-1149 (Fed. Cir. Mar. 15, 2000)(nonprecedential decision)8

SOVEREIGN IMMUNITY "REIGNS" ON PATENTEE'S COMPLAINT AGAINST PTO

A Fifth Amendment claim alone, without an underlying statutory or regulatory right to recovery cannot command a payment of money. *Teacherson v. U.S. Patent & Trademark Office*, No. 99-1465 (Fed. Cir. Mar. 10, 2000)(nonprecedential decision) . .8

PHONOMETRICS DODGES TWO BULLETS

Court refuses to dismiss complaint without allowing some discovery in first case; and refuses to award attorney fees against Phonometrics in second case. *Phonometrics, Inc. v. ITT Sheraton Corp.*, No. 99-1130 (Fed. Cir. Mar. 16, 2000)(nonprecedential decision); and *Phonometrics, Inc. v. ECI Telecom Business Networks, Inc.*, No. 99-1161 (Fed. Cir. Mar. 16, 2000)(nonprecedential decision)10 and 11

Law Firm Sanctioned for Frivolous Counterclaims

Michael A. Morin

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

In *View Engineering, Inc. v. Robotic Vision Systems, Inc.*, No. 99-1399 (Fed. Cir. Mar. 29, 2000), the Federal Circuit affirmed a district court's decision to assess monetary sanctions against a law firm for violating Fed. R. Civ. P. 11, where the firm did not conduct a reasonable investigation before filing counterclaims for patent infringement.

View Engineering, Inc. ("View") and Robotic Vision Systems, Inc. ("Robotic") were competitors in the field of three-dimensional vision technology, which is principally used to scan computer chips to insure proper alignment of the leads. On March 24, 1995, View filed a claim for declaratory judgment of noninfringement and invalidity against Robotic based on one of Robotic's patents. On July 18, 1995, the Morrison Law Firm ("Morrison") filed an answer on behalf of Robotic, counterclaiming that View was infringing 120 claims of eight Robotic patents.

On April 15, 1996, View moved for summary judgment ("SJ") of noninfringement as to all eight patents, and also moved for sanctions for the filing of frivolous counterclaims. Shortly thereafter, on April 22, 1996, Robotic withdrew its infringement allegations on two of the patents, and, by May 20, 1996, withdrew its allegations as to three additional patents, so that just three patents remained in suit.

In June 1996, the district court granted SJ of noninfringement of the three remaining patents. The court also levied sanctions against Morrison for \$97,825, finding that Morrison did not conduct a reasonable investigation before filing its counterclaims for infringement. Specifically, Morrison's

sole basis for filing these counterclaims was a Robotic officer's belief based on his knowledge of the Robotic patents, View's own advertising and its claims to customers as to what its machines did, and the officer's knowledge and understanding of the technology required in the field. The district court did not levy any sanctions against Robotic, finding that Robotic was justified in relying on Morrison for legal advice.

Rule 11 of the Federal Rules of Civil Procedure requires that attorneys certify by their signature that (1) they have read the papers they file with the court and (2) the pleading or motion is well grounded in fact, has a colorable basis in law, and is not filed for an improper purpose. Rule 11 is intended to deter baseless filings and encourage attorneys to conduct reasonable inquiries before filing papers with a court. Robotic admitted that it never had access to the accused View machines before filing the counterclaims. Indeed, Robotic admittedly filed the counterclaims for the purpose of gaining access to View's software and drawings. Morrison never conducted a claim construction or infringement analysis before filing suit, relying instead solely on the Robotic officer's belief that the View devices probably infringed. The district court determined that this investigation failed to pass Rule 11 muster.

The Federal Circuit affirmed, reviewing the district court's decision under the abuse of discretion standard. The Federal Circuit interpreted Rule 11 as requiring, at a minimum, that a law firm apply the claims of each patent at issue to an accused device and conclude that there is a reasonable basis for a finding of infringement before filing suit. The Federal Circuit rejected Morrison's sole proffered justification for its improper counterclaims—that View had brought them upon itself by refusing Robotic presuit access to its products and documents—because View had no legal obligation to engage in prelitigation discovery or to cooperate otherwise. The Federal

Circuit thus found that the district court was well within its discretion in awarding sanctions.

With respect to the quantification of sanctions, the district court had determined that the counterclaims of infringement as to six of the eight patents were completely baseless. View's total costs and attorney fees for the litigation were \$241,010. In calculating sanctions, the district court had reduced these slightly to \$237,152, based on an Economic Survey put out by the American Intellectual Property Law Association, and then reduced that figure by forty-five percent to \$130,434, reasoning that View would have spent that amount of money to defend against the allegations of infringement for the two patents that were not entirely frivolous. The court then considered Morrison's ability to pay the sanctions (the Morrison law firm was a sole proprietorship), and, in consideration of the small size of the firm, reduced the sanction by twenty-five percent to the final figure of \$97,825.

The Federal Circuit affirmed, commending the district court for its "careful and thoughtful opinion."

Equivalent Structure Under 35 U.S.C. § 112, ¶ 6 Depends on Context of Invention

C. Gregory Gramenopoulos

[Judges: Plager (author), Mayer, and Michel]

In *IMS Technology, Inc. v. Haas Automation, Inc.*, No. 99-1019 (Fed. Cir. Mar. 27, 2000), the Federal Circuit considered how equivalent structure is determined when analyzing infringement under 35 U.S.C. § 112, ¶ 6.

IMS Technology, Inc. ("IMS") is the assignee of U.S. Patent No. 4,477,754 ("the '754 patent") directed to numerical control of a machine tool, such as a milling machine. The '754 patent permits interactive programming of the machine tool directly on the shop floor. Through the use of a keyboard and a CRT screen, the machine tool operator can respond to a sequence of inquiries to program the tool for particular machining operations. When the program is created by the operator, the program is stored in an alterable memory (*e.g.*, a RAM). The program may also be stored permanently on a tape cassette through a tape cassette transport of the control system.

IMS filed suit in the U.S. District Court for the Eastern District of Virginia against Haas Automation, Inc., and Gene Francis Haas (collectively "Haas"). IMS alleged infringement of the '754 patent by Haas's control systems, Quickcode and Conversational Quickcode. The district court construed the claims of the '754 patent and granted Haas's motion for summary judgment ("SJ") of noninfringement. On appeal, IMS argued that the district court had erred in its claim construction and its infringement analysis. Haas cross-appealed the claim interpretation of certain limitations by the district court.

On appeal, the analysis focused on two terms in claims 1 and 7: "interface means" and "data block." The district court had construed the "interface means" as a means-plus-function limitation under 35 U.S.C. § 112, ¶ 6. Based on the written description, the district court had determined that the corresponding structure for this limitation included a tape cassette transport. The district court had also concluded that Haas's floppy disk drive was not an equivalent structure to the tape cassette transport and found that there was no infringement of this "interface means" limitation. In addition, the district court had

found no infringement of the claimed “data block” feature, since the court had interpreted this limitation as being limited to the specific variables and inquiries described in the ‘754 patent and not to the use of M and G codes, as provided in Haas’s system.

In reaching its opinion, the Federal Circuit held that the district court had erred in its construction of the claims. With respect to the “interface means,” the Court noted that two functions are required: “recording” a control program and control parameters from alterable memory onto an external medium and “transferring” a control program and control parameters from the external medium into alterable memory. The Court held that the corresponding structure for these functions includes the disclosed tape cassette peripheral interface adapter and tape cassette transport. The Federal Circuit also reversed the district court’s claim interpretation of the “data block” feature. The Court held that this term simply requires a computer data structure containing the information needed to perform a machining operation and ruled that the particular format of the data block (*i.e.*, M-codes, G-codes, or otherwise) was irrelevant.

Another claim construction by the district court that was rejected by the Federal Circuit was the interpretation of the phrase “control apparatus.” According to the Federal Circuit, it was improper for the district court to limit “control apparatus” to a control system for machine tools rather than an entire machine tool apparatus. This was because the phrase “control apparatus” in the preamble of the claims merely gave a descriptive name to the limitations in the body of the claim and did not limit the scope of an infringing apparatus.

The Federal Circuit also found error with the district court’s infringement analysis. In particular, the Federal Circuit noted that a rigid comparison of physical structures to determine equivalence under section 112, ¶ 6 can be inappropriate and stressed that although the statute requires two structures

to be equivalent, it does not require them to be “structurally equivalent.” The Court also emphasized that the test for equivalence under section 112, ¶ 6 is “closely related” to the test for equivalence under the doctrine of equivalents (“DOE”), and therefore, the context of the invention should be considered when performing a section 112, ¶ 6 equivalence analysis just as in a DOE determination. The Court acknowledged that, in some cases, the analysis of the insubstantiality of the differences in the context of the invention may result in a finding of equivalence under section 112, ¶ 6 even though the structures are arguably not equivalent structures in other contexts.

Applying these principles, the Federal Circuit concluded that the transferring and recording functions of the claimed “interface means” merely provide a way of storing programs created using the inventive programming apparatus and process. While IMS had provided some evidence of structural similarities between a floppy disk and a tape cassette transport, there are admittedly physical differences between the two and, according to the Court, at least an issue of fact existed as to whether those differences are substantial in light of the role played by the “interface means” in the claimed invention.

Therefore, the Federal Circuit vacated the district court’s grant of SJ of noninfringement of claims 1 and 7 and remanded for further proceedings.

Tricky Translations Bring About Inequitable Conduct

F. Leslie Bessenger

[Judges: Michel (author), Skelton, and Schall]

In *Semiconductor Energy Laboratory Co. v. Samsung Electronics Co.*, No. 98-1377 (Fed. Cir. Mar. 2, 2000), the Federal Circuit

affirmed the district court's holding that Semiconductor Energy Laboratory's ("SEL") U.S. Patent No. 5,543,636 ("the '636 patent") on thin film transistors was unenforceable for inequitable conduct and affirmed the district court's grant of summary judgment ("SJ") dismissing Samsung's federal and state Racketeer Influenced and Corrupt Organizations Act ("RICO") counterclaims.

In an information disclosure statement for the '636 patent, SEL submitted ninety references for consideration by the Examiner. Included with these references was a twenty-nine page published Japanese patent application assigned to Canon K.K. ("the Canon reference"). Instead of submitting a full translation of the Canon reference, the inventor submitted only a partial translation along with a concise statement characterizing the Canon reference.

SEL brought suit against Samsung for infringing the '636 patent. In response, Samsung asserted an inequitable conduct defense and filed both federal and New Jersey RICO counterclaims. SEL moved for SJ on Samsung's inequitable conduct defense and on Samsung's RICO counterclaims. The district court granted SJ on the RICO counterclaims but proceeded with a bench trial covering the inequitable conduct issue.

Regarding inequitable conduct, the Federal Circuit found no clear error in the district court's finding that the Canon reference was material. The district court had found that the Canon reference was not cumulative since the untranslated portions of the reference contain a more complete combination of the claim elements in the '636 patent. The district court also had found that the Canon reference established a prima facie case of unpatentability in combination with other prior art of record.

The Federal Circuit also found no clear error in the district court's finding of intent. The district court had found that SEL had

misrepresented the Canon reference because SEL's witnesses were not credible. The Court emphasized that the inventor (who knew Japanese and had experience in prosecuting patents) understood the materiality of the Canon reference and knew that a more complete translation would decrease the likelihood that the '636 patent would issue.

Addressing SEL's technical compliance with 37 C.F.R. § 98 and its reliance upon Manual of Patent Examining Procedure ("MPEP") § 609A(3), the Federal Circuit explained that Rule 98 (which requires the applicant to provide any existing translation of a foreign reference) provides neither a safe harbor nor a shield against allegations of inequitable conduct. Moreover, the Court stated that Rule 98 merely provides a floor for required submissions of translations of foreign applications, not a ceiling, and that Rule 98 is not an excuse nor a license for concealing material portions of a prior art reference. Furthermore, the Court found that while MPEP § 609A(3) allows the applicant some discretion in how it phrases a concise explanation, it does not authorize the applicant to intentionally omit altogether key teachings of the reference.

Addressing SEL's contention that it cannot be deemed to have withheld the Canon reference when it submitted the full untranslated version of the reference, the Federal Circuit found no clear error in the district court's conclusion otherwise. The Court explained that there is no presumption that the Examiner will understand foreign languages and will request a costly translation, especially here where the Applicant left the Examiner with the impression that there was no need for any further translation. In its analysis, the Court explained that the duty of candor requires that an Applicant refrain from submitting partial translations and concise explanations that it knows will misdirect the Examiner's attention from the reference's relevant teaching.

Applying this rule, the Court held that SEL deliberately deceived the Examiner into thinking that the Canon reference was less relevant than it really was and, thus, constructively withheld the reference from the U.S. Patent and Trademark Office (“PTO”) despite the conventional presumption of consideration invoked when the Examiner had initialed the Form PTO-1449 listing next to the Canon reference. This presumption of consideration is limited to the partial translation and concise statement rather than to the underlying reference itself.

Regarding the federal and state RICO counterclaims, the Federal Circuit held that inequitable conduct before the PTO cannot qualify as an act of mail fraud or wire fraud for purposes of the predicate act requirement for a federal RICO violation. The Court explained that a patent application that has not yet matured into a patent cannot be properly deemed government property. Thus, the PTO has not been defrauded of property.

Finally, the Court addressed Samsung’s attempt at seeking broad damages available under the New Jersey RICO statutes by holding that federal patent laws preempt the state RICO counterclaims as applied. Specifically, the Court held that Samsung’s attempt at using the New Jersey RICO statutes completely overlaps with the inequitable conduct defense already in the case and that applying those RICO statutes would require no other additional required elements outside of what is already required for the inequitable conduct defense.

Federal Circuit Refuses to “Burn” Fuel Patent

Gregory A. Chopskie

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

In *Union Oil Co. of California v. Atlantic Richfield Co.*, No. 99-1066 (Fed. Cir. Mar. 29, 2000), the Federal Circuit affirmed a district

court’s denial of the Defendant’s motion for judgment as a matter of law (“JMOL”) concerning anticipation and written description defenses.

Union Oil Co. of California (“Union Oil”) alleged patent infringement against Atlantic Richfield Co. (“Atlantic Richfield”) of Union Oil’s U.S. Patent No. 5,288,393 (“the ‘393 patent”). A jury had found that the patent was not invalid and was willfully infringed by Atlantic Richfield. The district court held that the patent was not unenforceable for inequitable conduct. The district court then denied Atlantic Richfield’s motion for JMOL, rejecting Atlantic Richfield’s assertions that the prior art anticipated the ‘393 patent and that the ‘393 patent failed to comply with the written description requirement. Atlantic Richfield appealed the denial of JMOL and the district court’s finding that the ‘393 patent was not unenforceable for inequitable conduct.

The ‘393 patent claims automotive gasoline compositions that reduce tailpipe emissions. None of the asserted claims describe a gasoline product in terms of molecular structures or lists of ingredients. Rather, the claims specify the properties of the claimed gasoline by describing ranges for several separate characteristics. Thus, a representative claim defines an unleaded gasoline fuel having a “Reid vapor pressure no greater than 7.0 psi, and a 50% D-86 distillation point no greater than 200F, and a 90% D-86 distillation point no greater than 300F” The claimed fuel properties are obtained by varying the proportions of different components in the fuel.

In construing the claims, the district court had limited the scope to fuels regularly used in automobiles, excluding from the scope of the claims classes of fuels such as aviation fuels or racing fuels. The Federal Circuit affirmed this construction, citing the plain words of the claims and emphasizing the specification’s references to ordinary passenger automobiles. In light of this construction, the Federal Circuit affirmed the judgment below, holding that substantial evidence supported the jury’s finding that

purported prior art aviation and racing fuels were not anticipatory because they lacked the limitations of being restricted to standard passenger automobiles.

Atlantic Richfield next argued that the asserted claims were invalid because the specification failed to comply with the written description requirement of 35 U.S.C. § 112. The Federal Circuit affirmed the district court's denial of JMOL, however, finding that substantial evidence supported the jury's finding of validity. Specifically, the Federal Circuit agreed that the specification taught one skilled in the art that the patentees were in possession of the claimed fuels at the time of the filing of the application.

Rejecting Atlantic Richfield's contention that the specification does not teach the exact chemical composition of each combination falling within the range of the claims, the Federal Circuit held that the fuel combinations were properly expressed as ranges and variances of ranges to achieve particular properties in the gasoline products. Moreover, the Federal Circuit held that the specification adequately taught one skilled in the art how to achieve the claimed ranges by altering the relative proportions of the component. Thus, according to the Federal Circuit, one skilled in the art could derive the claimed ranges from the patent's disclosure without specifying the chemical components of each combination.

Finally, the Federal Circuit affirmed the district court's judgment that the '393 patent was not unenforceable for inequitable conduct. The Federal Circuit found no clear error in the district court's finding that the disputed documents were not material and there was no intent to deceive by the patentees. Accordingly, the Federal Circuit concluded that the district court had not abused its discretion in finding no inequitable conduct.

Judge Lourie, in dissent, stated that he would have reversed the JMOL because the jury's verdict regarding written description

was not supported by substantial evidence. Judge Lourie disagreed with the majority's use of "enablement reasoning," arguing that the proper consideration was not whether a person skilled in the art could make the claimed compounds based on the disclosure, but whether the claimed compounds were adequately described. In Judge Lourie's view, despite the various statements in the specification regarding individual properties of the claimed fuels, the specification lacked the necessary description of the specific combination of characteristics claimed.

Pool Cleaner Patent Cannot "Hold Water"

Kurt A. Luther

[Judges: Gajarsa (author), Bryson, and Skelton]

In *Zodiak Pool Care, Inc. v. Hoffinger Industries, Inc.*, No. 99-1224 (Fed. Cir. Mar. 24, 2000), the Federal Circuit affirmed a district court's findings of noninfringement under both literal infringement and the doctrine of equivalents ("DOE"). The Federal Circuit also affirmed the district court's judgment denying an award of attorney fees to Hoffinger.

Zodiak Pool Care, Inc. ("Zodiak") sued Hoffinger Industries, Inc. ("Hoffinger"), claiming that Hoffinger's pool cleaners infringed U.S. Patent Nos. 4,133,068 ("the '068 patent") and 5,014,382 ("the '382 patent"). On summary judgment, the district court had held that Hoffinger's pool cleaners did not infringe the '068 patent either literally or under the DOE and did not literally infringe the '382 patent. After a jury trial, where the jury had found that Hoffinger infringed the '382 patent under the DOE, the district court had granted

Hoffinger's motion for judgment of no DOE infringement as a matter of law. The district court also denied Hoffinger's motion for attorney fees.

The Federal Circuit agreed with the district court's interpretation of the claims of the '382 patent and affirmed the finding of noninfringement under the DOE.

Claim 1, the sole independent claim of the '382 patent, recited a pool cleaning system that includes a flexible disc and a stop for preventing upward flexing of a peripheral edge of the disc. The claim describes the stop as being located "above and substantially inward of the peripheral edge."

Zodiak alleged that Hoffinger's pool cleaners, which include a stop that extends at least to, if not beyond, the peripheral edge of a disc, were covered by this claim. Zodiak contended that the claim should be construed to cover devices, such as Hoffinger's, in which at least a portion of the stop is located inward of the disc periphery and performs the same function.

The Federal Circuit, however, decided that, in the absence of claim language or prosecution history statements that clearly indicated that only "a portion" of the stop need be within the peripheral edge, the public was entitled to rely on the structural limitations of the claims. Thus, the Court concluded that no reasonable jury could find that Hoffinger's pool cleaners infringed the '382 patent, either literally or under the DOE and affirmed the district court's ruling.

The Federal Circuit also addressed Hoffinger's motion for attorney fees based on Zodiak's assertion of the '068 patent. However, the Federal Circuit concluded that Zodiak had established a good faith basis for the action by hiring an expert and securing an opinion prior to filing. Thus, Zodiak did not act in bad faith, and Hoffinger was not entitled to attorney fees.

Judge Bryson dissented from the Federal Circuit's interpretation of the claim, arguing that the Court misconstrued the term "substantially." In Bryson's view, the Court

should have construed the term "substantially" to mean "largely," "mostly," or "in the main." The described function of the stop, to prevent upward flexing of the disc, further supports a construction where the stop need only be "largely" inward of the periphery of the disc, according to Judge Bryson. Under this construction, the jury's verdict of infringement under the DOE should be upheld, he concluded.

Bicycle Pedal Patents Do Not Reach Accused Infringer

Lawrence F. Galvin

[Judges: Bryson (author), Skelton, and Gajarsa]

In *Speedplay, Inc. v. Bebop, Inc.*, No. 98-1527 (Fed. Cir. Mar. 1, 2000), the Federal Circuit affirmed a district court decision holding one patent invalid due to an on-sale bar, holding two more patents not infringed, and finding no trade dress infringement. The Federal Circuit's opinion also affirmed the district court's denial of the Defendant's state law and inequitable conduct counterclaims and request for attorney fees.

Serious bicyclists often use clipless bicycle pedal and cleat assemblies to safely improve their pedaling performance. Speedplay, Inc. ("Speedplay") sells such clipless pedal and cleat assemblies based on U.S. Patent Nos. 4,942,778 ("the '778 patent"); 5,213,009 ("the '009 patent"); and 5,606,894 ("the '894 patent") (collectively "the Speedplay patents"). Bebop, Inc. ("Bebop") also sells such assemblies based on their own patent.

Speedplay sued Bebop in the United States District Court for the Southern District of California, alleging infringement of the '778 and '009 patents, trade dress

infringement, unfair competition, and violation of the California Business and Professions Code. Bebop counterclaimed, seeking a declaration that the '778 and '009 patents were invalid and not infringed, and that no trade dress infringement existed. Bebop also sought relief for alleged unfair competition and intentional interference with prospective economic advantage. Prior to trial, the '894 patent issued, and Speedplay amended its complaint to allege infringement of that patent also. Bebop responded by alleging that the '894 patent was invalid and the Speedplay patents were unenforceable due to inequitable conduct.

After a bench trial, the district court entered judgment against Speedplay on all claims in its amended complaint. The district court also had found the '894 patent invalid due to an on-sale bar. However, the court denied Bebop's state law counterclaims and request for attorney fees.

On appeal, the Federal Circuit first affirmed the district court's ruling that Speedplay had standing to sue for infringement of the Speedplay patents, finding that Speedplay had been granted all substantial rights in the three patents and that Bebop was not exposed to a risk of prejudice by failure to join the inventor of the Speedplay patents. Next, the Federal Circuit ruled that the district court had correctly found no infringement by Bebop, either literally (for the '778 patent) or under the doctrine of equivalents (for both the '778 and '009 patents). Third, the Federal Circuit upheld the trial court's trade dress finding that there was little likelihood of confusion between Bebop's pedals and those of Speedplay, and thus, no infringement.

Finally, the Federal Circuit found no clear error in the district court's finding that Bebop failed to prove inequitable conduct by Speedplay in procuring the Speedplay patents, and found no abuse of discretion in the district court's refusal to award attorney fees to Bebop.

Accused Infringer "Sidesteps" Stair-Climber Patent

Walter D. Davis, Jr.

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

In *Stairmaster Sports/Medical Products, Inc. v. Groupe Procycle, Inc.*, No. 99-1149 (Fed. Cir. Mar. 15, 2000) (nonprecedential decision), the Federal Circuit affirmed a ruling by the district court on summary judgment ("SJ") that the accused products of Groupe Procycle, Inc., and Procycle U.S.A., Inc. (collectively "Procycle") did not infringe, literally or under the doctrine of equivalents ("DOE"), U.S. Patent No. Re. 34,959 ("the '959 patent"), affirmed a ruling by the district court that prosecution history estoppel bars application of the DOE to a particular claim limitation, and affirmed a ruling by the district court that certain claims of the '959 patent were not invalid for failure to comply with 35 U.S.C. § 251.

Stairmaster Sports/Medical Products, Inc. ("SM") owns the '959 patent, drawn to a stair-climbing exercise apparatus. Claims 7 and 11 are directed to stair-climbing exercise machines including means for "engaging" a transmission output and a dynamic brake means, and brake "engaged" with a transmission output, respectively. Claim 9 includes a limitation which requires, among other things, an angle formed by the pedal assembly of "less than 90 degrees" when measured as described in the claim.

Procycle's accused products are stair-climbers that include a mechanism in which the rotary motion of a large pulley wheel caused by a pedal is transferred by a belt to a single piece of metal which forms the brake wheel. This single piece of metal is referred to as a single integrally molded brake.

At issue was whether Procycle's single integrally molded brake is read on by the

“brake engaged with a transmission output” and “means for engaging transmission output and brake” language in claims 11 and 7, respectively. The district court had held that Procycle’s accused products do not infringe the asserted claims either literally or under the DOE, construing the terms “engaged” and “engaging” to mean a type of mechanical engagement capable of connecting two separate components in some manner. The district court had found that the single integrally molded brake does not “engage” a brake with a transmission output, or perform the same function of “engaging” a brake and transmission output.

On appeal, the Federal Circuit rejected SM’s position that the district court had incorrectly interpreted the term “engaged,” asserting that the term must be given its ordinary meaning absent a different meaning being clearly set forth in the written description or prosecution history, or absent evidence of an unclear meaning of the term from the context of the claim. The Federal Circuit agreed with the district court’s assessment that Procycle’s single integrally molded brake wheel does not “engage” the transmission output and the brake input or perform the identical function of “engaging” those components, finding that no reasonable jury could find that the “connections” within a single piece of metal perform substantially the same function as an engagement between two separate pieces.

The Federal Circuit also affirmed the district court’s decision that claim 9 was not infringed by two of Procycle’s stair climbers. The Federal Circuit held that the “less than 90 degrees” limitation of claim 9 was not met under the DOE because prosecution history estoppel bars application of the DOE. The prosecution history discloses no reason for the addition of the “less than 90 degrees” limitation, therefore, SM is not entitled to any scope of equivalents as to that limitation, the Court reasoned.

The Federal Circuit also affirmed the district court’s decision that claims 7-11 were not invalid for failure to comply with the reissue statute, 35 U.S.C. § 135. The Federal Circuit reasoned that the declarations seeking reissue met the statutory requirements of 35 U.S.C. § 251, and 37 C.F.R. § 175 (a)(5), so the district court’s decision must be affirmed.

Sovereign Immunity “Reigns” on Patentee’s Complaint Against PTO

Darren M. Jiron

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

In *Teacherson v. U.S. Patent & Trademark Office*, No. 99-1465 (Fed. Cir. Mar. 10, 2000)(nonprecedential decision), the Federal Circuit affirmed a district court’s dismissal of a Fifth Amendment-based complaint against the U.S. Patent and Trademark Office (“PTO”).

Mr. Teacherson sued the PTO for its alleged failure to follow its own prescribed procedures during the examination of several of Teacherson’s patent applications. Teacherson claimed that the PTO had violated his substantive due process rights under the Fifth Amendment, and he sought money damages of \$120 million plus fees from the United States.

Teacherson, proceeding pro se as a registered patent agent, filed several patent applications in the PTO. During prosecution, he allowed several of his applications to go abandoned for failure to respond, and he appealed one final rejection to the Board of Patent Appeals and Interferences. In yet another application, the Examiner issued a restriction requirement, which Teacherson

resisted. Teacherson petitioned to the Commissioner of Patents (“Commissioner”) for review of the restriction requirement, and while awaiting a decision from the Commissioner, Teacherson filed his complaint in the district court against the PTO.

Upon review, the Magistrate Judge in the district court recommended dismissal of Teacherson’s complaint for failure to state a claim upon which relief could be granted. The judge noted that sovereign immunity barred constitutional claims against the PTO; that, according to the Tucker Act, the district court lacked jurisdiction for claims against the U.S. Government in excess of \$10,000; and that Teacherson had failed to exhaust his administrative remedies.

On appeal, the Federal Circuit agreed that Teacherson had failed to exhaust all available appeal routes. The Federal Circuit, therefore, agreed with the district court’s finding that Teacherson’s efforts to obtain judicial review of PTO actions were premature. The Federal Circuit also found that, while the Tucker Act waives sovereign immunity for some nontort claims, a Fifth Amendment claim standing alone without an underlying statutory or regulatory right to recovery cannot be interpreted to command a payment of money and, therefore, cannot support jurisdiction under the Tucker Act.

Phonometrics Dodges Two Bullets

E. Chris Cherry

In *Phonometrics, Inc. v. ITT Sheraton Corp.*, No. 99-1130 (Fed. Cir. Mar. 16, 2000) (nonprecedential decision), the Federal Circuit reversed the district court’s

order that dismissed Phonometrics, Inc.’s (“Phonometrics”) complaint for failure to state a claim and remanded for further proceedings.

At the district court, the ITT Sheraton Corp. (“Hotels”) had argued that the district court should not evaluate the dismissal under the liberal pleading standards of Fed. R. Civ. P. 12(b)(6), but instead should treat the dismissal as if it had been a grant of summary judgment (“SJ”) because Rule 12(b) allows a district court to treat a motion to dismiss as a motion for SJ if it considers matters outside the pleadings. The record in this appeal includes Phonometrics’s apparent concessions that the Hotels did not infringe the Phonometrics patent in light of the claim construction in *Intellicall, Inc. v. Phonometrics*, 952 F.2d 1384 (Fed. Cir. 1992) and in *Phonometrics, Inc. v. Northern Telecom, Inc.*, 133 F.3d 1459 (Fed. Cir. 1998).

The Federal Circuit was unpersuaded by the Hotels’ emphasis of matters outside the pleadings since a dismissal under Rule 12(b)(6) focuses solely on matters within the pleadings. In reaching its conclusion that the dismissal should not be treated as a grant of SJ under Rule 56, the Court emphasized that to do so on appeal would deprive Phonometrics of certain procedural rights under Rule 56, such as allowing Phonometrics to attempt to defeat SJ by serving opposing affidavits or allowing Phonometrics to conduct limited discovery. The district court’s order only permitted Phonometrics to amend its complaint. Thus, the Federal Circuit reversed and remanded for further proceedings including possible SJ under Rule 56.

In *Phonometrics, Inc. v. ECI Telecom Business Networks, Inc.*, No. 99-1161 (Fed. Cir. Mar. 16, 2000) (nonprecedential decision), the Federal Circuit vacated an award of attorney fees to Defendant, remanded the case for further proceedings, and denied motions for sanctions under Fed. R. App. P. 38. The award of attorney fees was vacated because the district court had considered a nonbinding claim construction in *Intellicall, Inc. v. Phonometrics*, 952 F.2d 1384 (Fed. Cir. 1992) and failed to consider the timing of a binding claim construction in *Phonometrics, Inc. v. Northern Telecom, Inc.*, 133 F.3d 1459 (Fed. Cir. 1998).

After the Federal Circuit affirmed the district court's finding of noninfringement, the district court, in considering whether attorney fees should be awarded, concluded that the instant case was exceptional because Phonometrics' conduct constituted bad faith litigation. The district court reasoned that Phonometrics had proceeded to assert claim 1, the only independent claim of U.S. Patent No. 3,769,463, based on a claim interpretation of a call-cost register means that Phonometrics knew was flawed in view of the decisions in *Northern Telecom, Inc.*, and *Intellicall, Inc.*

In *Northern Telecom*, which was decided after the instant infringement action was filed, the Federal Circuit construed the call-cost register means to require the "substantially instantaneous" display of cumulative call cost while the call progresses. The Federal Circuit, in the instant case, emphasized, as discussed in *Northern Telecom*, that its construction of claim 1 in *Intellicall*, other than the construction directed to the deter-

minative issue, the meaning of "digital display," was merely dictum, including its discussion of the "substantially instantaneous" limitation. The Federal Circuit concluded that the correct claim construction of the "substantially instantaneous" limitation of the call-cost register means was not before Phonometrics when Phonometrics brought this suit, and consequently, the district court's conclusion that Phonometrics had knowledge of the proper claim construction, in view of *Northern Telecom, Inc.*, and *Intellicall, Inc.*, was not supported in the record. Thus, the Federal Circuit determined that an award of attorney fees was not appropriate.

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