

Last month at

# The Federal Circuit



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## STANDARDS FOR INEQUITABLE CONDUCT APPLY TO PAYMENTS OF MAINTENANCE FEES

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## DISTRICT COURTS CANNOT GUESS AT FIXES FOR CLAIM ERRORS

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EDITED BY | VINCE KOVALICK

## Standards for Inequitable Conduct Apply to Payments of Maintenance Fees

*E. Stewart Mittler*

**[Judges: Dyk (author), Prost, and Newman (concurring-in-part and dissenting-in-part)]**

In *ULead Systems, Inc. v. Lex Computer & Management Corp.*, No. 01-1320 (Fed. Cir. Dec. 9, 2003), the Federal Circuit reversed the district court's SJ that U.S. Patent No. 4,538,188 ("the '188 patent") was unenforceable, because there was a genuine issue of material fact regarding intent to deceive and because 37 C.F.R. § 1.28(c) does not authorize or require inquiry into good faith when a patent holder seeks to correct an error in the payment of a maintenance fee.

Lex Computer and Management Corporation ("Lex") owns the '188 patent. ULead Systems, Inc. ("ULead") sued Lex, seeking a DJ of noninfringement, invalidity, and unenforceability of the '188 patent. Lex counterclaimed for infringement. ULead moved for SJ, alleging that the '188 patent was (1) unenforceable and/or invalid because Lex misrepresented its small-entity status by paying the small-entity maintenance fee, and (2) expired because Lex failed to pay the correct maintenance fee and did not pay the incorrect small-entity fee in good faith.

Certain facts were not disputed by either party. Lex never had more than twenty employees and, thus, qualified as a small entity under 37 C.F.R. § 1.9(f) (1993). After the '188 patent issued, however, Lex granted a nonexclusive license to Adobe Systems Incorporated ("Adobe") and two other companies, none of which qualified as a small entity. After granting these licenses, Lex paid the small-entity maintenance fee two more times. In the first instance, Lex submitted a verified statement claiming small-entity status along with a petition to accept late payment of the fee. In the second instance, Lex again

submitted a petition to accept late payment of the fee and stated in the petition that the small-entity status was maintained. After ULead sued, Lex filed a petition with the PTO to correct its status and pay the correct maintenance fee. The PTO allowed the petition.

The Federal Circuit ruled that the standards for inequitable conduct laid down by the Federal Circuit govern the procedures for paying maintenance fees and declaring small-entity status. The Court found unpersuasive Lex's argument that the misrepresentations were not material because they were not the basis for the issuance of the patent. According to the Court, the misrepresentations were material because they fostered the survival of the patent.

As to intent, Lex's representatives had testified that they either did not know of the licenses or those that did know were not aware that a nonexclusive license to a large entity would result in loss of the licensor's small-entity status. Drawing all reasonable inferences in Lex's favor, the Federal Circuit concluded that Lex's actions were more telling of negligence than intentionally deceptive.

The district court also held that the '188 patent had expired for failure to pay maintenance fees. While Lex had filed a petition to correct the mistake, and while the PTO had allowed the petition and accepted the balance due for the maintenance fees, the district court held that Lex's payment was made in bad faith, and 37 C.F.R. § 1.28(c), which allows for corrections of erroneous small-entity fee payments, requires good faith. The Federal Circuit reversed the SJ holding because, although 37 C.F.R. § 1.28(c) does require "good faith," it does not authorize an inquiry into the patentee's good faith. According to the Court, because the PTO is not required to inquire into the patentee's good faith in deciding whether to accept a late payment, neither is a district court. Rather, the intent issue is considered under the inequitable-conduct analysis. Accordingly, the Federal Circuit vacated and remanded the case for trial.

Judge Newman concurred-in-part and dissented-in-part. Judge Newman, relying on the language of 37 C.F.R. § 1.28(d), which describes the legal status of a fraudulent claim to small-entity status as a “fraud practiced upon the Office,” would have applied the more rigorous proof of fraud in establishing a false claim of entitlement to reduced fees. In her opinion, the majority sought to rewrite agency regulation and, in doing so, exceeded its authority.

## District Courts Cannot Guess at Fixes for Claim Errors

Scott M.K. Lee

[Judges: Dyk (author), Clevenger, and Gajarsa]

In *Novo Industries, L.P. v. Micro Molds Corp.*, No. 03-1230 (Fed. Cir. Dec. 5, 2003), the Federal Circuit rejected the district court’s attempt to correct an error in the claim through its claim construction, finding that the district court overstepped its authority in correcting the error, and held the claim invalid for indefiniteness.

Novo Industries, L.P. (“Novo”) is the assignee of U.S. Patent No. 5,056,578 (“the ‘578 patent”), which discloses and claims a carrier assembly for movably supporting one of a plurality of vertical-oriented slats in a vertical-blind assembly.

Novo filed suit against Micro Molds Corporation and Oscar Helver (collectively “Micro Molds”), asserting infringement of claim 13 of the ‘578 patent. Novo added claim 13 during prosecution of the application that matured into the ‘578 patent, in response to a rejection over prior art. Claim 13 differed from the rejected claims by, among other things, including the words “a rotatable with” inserted into the phrase “stop means formed on a rotatable with said support finger.”

Novo argued at a *Markman* hearing that claim 13 includes an obvious typographical error, which it proposed correcting by construction in either of two ways: (1) the words “a rotatable with” were superfluous and should be deleted altogether, or (2) the words “with said” could be deleted. Micro Molds countered that the addition of the words “a rotatable with” to the claim indicated that Novo had abandoned coverage of a stop means on the support finger itself, prohibiting a construction of the claim to include a stop means on the support finger. Thus, Micro Molds argued that the stop means had to be located on a separate “rotatable.”

The district court rejected both parties’ arguments and construed claim 13 to mean that the stop means is formed on and rotatable with the support finger, effectively interpreting the word “a” in the claim as “and.” A jury found that Micro Molds had literally infringed claim 13 of the ‘578 patent and was guilty of willful infringement, for which the district court awarded double damages.

The Federal Circuit began its analysis by reviewing the Supreme Court’s decision in *I.T.S. Rubber Co. v. Essex Rubber Co.*, 272 U.S. 429 (“*Essex*”), which established the authority of courts to interpret a patent during an infringement suit to correct certain obvious errors. The Federal Circuit then asked whether the enactment of 35 U.S.C. §§ 254 and 255 had overruled *Essex*. Sections 254 and 255 provide for issuance of a certificate of correction to correct a mistake by the PTO (§ 254) or the patentee (§ 255). In contrasting §§ 254 and 255 with the *Essex* rule, the Federal Circuit noted that issuance of a certificate of correction under §§ 254 or 255 acts to prospectively effect a correction of the patent and, thus, is only effective for causes of action arising after the certificate of correction was issued. Thus, the Federal Circuit observed that, without the ability of the district court to correct errors when construing a patent claim, every patent containing an error rendering a claim indefinite would be invalid until and unless the error was correct-

ed by the PTO. The Court found this outcome unsatisfactory, in part, due to the policy of the PTO not to correct errors deemed “minor.” The Federal Circuit also observed that nothing in the legislative history of the Patent Act of 1952 suggested that Congress intended to overrule *Essex* by enactment of §§ 254 and 255.

The Federal Circuit then turned to the limits of the district courts’ error-correcting authority. First, the Court noted that §§ 254 and 255, unlike 35 U.S.C. § 256, which deals with correction of inventorship, do not give the district courts the same authority as the PTO. Namely, while the district court can order issuance of a certificate correcting the inventorship of a patent under § 256, §§ 254 and 255 grant the district court no such authority. Second, the Court noted that § 255 permits the correction of a broad category of errors, limited only in that the method of correction of the error must be clearly evident from the specification, drawings, and prosecution history of the patent. Third, the Court emphasized the importance of the PTO bringing its expertise in patent matters to bear on errors that are not evident from the face of the patent itself, as was the case in *Essex*. Finally, the Federal Circuit observed that allowing the district court to correct such errors would act to effectively write the nonretroactivity provisions out of §§ 254 and 255.

Based on these considerations, and in view of its own precedent, the Federal Circuit concluded that a district court can correct a patent only if (1) the correction is not subject to reasonable debate based on consideration of the claim language and the specification, and (2) the prosecution history does not suggest a different interpretation of the claims.

Turning to claim 13 of the ‘578 patent, the Court concluded that the nature of the error is not apparent from the face of the patent, pointing to the fact that Novo provided two different possible claim constructions, Micro Molds a third, and the district court a fourth. According to the Federal Circuit, a district court’s authority to correct

an error in a patent does not extend to “guessing” what the patentee intended.

Having determined that the district court could not correct claim 13, the Federal Circuit concluded that the claim is not amenable to construction and is, therefore, invalid for indefiniteness.

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## Court’s Failure to Instruct Jury on Claim Construction Was Erroneous But Not Prejudicial

*K. Kevin Mun*

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

In *Sulzer Textil A.G. v. Picanol N.V.*, No. 02-1410 (Fed. Cir. Dec. 9, 2003), the Federal Circuit affirmed a district court’s denial of a motion for a new trial and a motion for attorneys’ fees, but vacated the district court’s grant of a motion in limine concerning evidence for infringement under the DOE, and remanded for further proceedings.

The patents-in-suit, U.S. Patent Nos. 4,446,893 (“the ‘893 patent”) and 4,450,876 (“the ‘876 patent”), relate to methods of using air-jet weaving machines for weaving threads or yarns into fabric. After introducing the first air-jet weaving machine in the 1970s, Ruiti-Te Strake, predecessor of Sulzer Textil A.G. (“Sulzer”), developed a time controller, the subject of the ‘893 patent, and a system known as the “bobbin-changeover” invention, the subject of the ‘876 patent. Sulzer acquired Ruiti-Te Strake as well as ownership of the ‘893 and ‘876 patents, and is one of the industry leaders in the manufacture of weaving machines. Picanol N.V. (“Picanol”) is also a manufacturer of air-jet weaving machines and a competitor of Sulzer.

Sulzer and Picanol had discussed possible cross-licensing of a number of different patents, including the ‘876 and ‘893 patents, but the parties never reached a formal agreement. In May 2000, Sulzer sued Picanol,

alleging infringement of the '893 and '876 patents. The district court construed the claims, but failed to instruct the jury on its construction. Furthermore, although the claims of the patents-in-suit are directed to the methods of operation of the weaving machines, the district court incorrectly stated in one of the jury instructions that Sulzer must show that Picanol has manufactured its weaving machines using a process that includes all steps of the claims. The jury returned a verdict of noninfringement in favor of Picanol. In addition, prior to the conclusion of the jury trial, the district court granted Picanol's motion in limine, based on *Festo*, to preclude Sulzer from introducing evidence of infringement under the DOE. Sulzer filed a motion for a new trial based on the two asserted errors in the jury instructions, but the district court denied Sulzer's motion.

On appeal, the Federal Circuit concluded that the district court had erred in omitting from its jury charge any instructions on claim constructions and in incorrectly referring to the manufacture, rather than the method of operation. In particular, the Court stated that in patent cases where claim-construction rulings on disputed claim terms are made prior to trial and followed by the parties during the course of the trial, it is the duty of trial courts to inform jurors both of the court's claim-construction rulings on all disputed claim terms and of the jury's obligation to adopt and apply the court's determined meanings of disputed claim terms in the jury's deliberations of the facts. Nevertheless, the Federal Circuit affirmed the district court's order because the omitted jury instruction was harmless. The Court reasoned that Sulzer had failed to show that the district court's failure to instruct the jury on its claim construction or the erroneous instruction on infringement was prejudicial. As to the erroneous instruction concerning infringement, the Court found that the jury instructions, viewed in their entirety and considered in the context of the trial as a whole, presented the correct legal standard for infringement to the jury. As to the missing

claim constructions, the Court found that the evidence as presented at trial generally reflected the proper claim construction. To the extent it did not, the testimony was solicited by Sulzer and was, therefore, invited error.

With respect to the district court's in limine order, Sulzer argued that the district court's ruling on the motion in limine was based on the Federal Circuit's *Festo I* decision (*Festo I*) prior to being vacated by the Supreme Court in *Festo II*. The Federal Circuit vacated the district court's order and remanded the issue of the DOE for consideration consistent with *Festo II* and the Federal Circuit's precedent following *Festo II*.

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## Court Remands for Proper Application of the "Two-Way Test" for Determining Interference

Anthony C. Tridico

[Judges: Gajarsa (author), Clevenger, and Dyk]

In *Medichem, S.A. v Rolabo, S.L.*, No. 02-1461 (Fed. Cir. Dec. 23, 2003), the Federal Circuit vacated a district court's priority determination and remanded the case for further proceedings because the district court erred in its application of the two-way test for identifying an interference.

Medichem, S.A. ("Medichem") is the assignee of U.S. Patent No. 6,084,100 ("the '100 patent"), which is directed to a process for the preparation of Loratadine, the active ingredient in the allergy medication Claritin®. Rolabo, S.L. ("Rolabo") is the assignee of U.S. Patent No. 6,093,827 ("the '827 patent"), which is also directed to a process for the preparation of Loratadine. The claimed process of the '100 patent requires the presence of a tertiary amine that is absent from the '827 patent process.

Medichem filed a complaint under 35 U.S.C. § 291, which provides a cause of

action to one patent owner against another when the claimed inventions of their respective patents interfere with one another. Under the “two-way test” for determining whether an interference in fact exists, the claimed invention of Party A is presumed to be prior art vis-à-vis Party B and vice versa. The claimed invention of Party A must anticipate or render obvious the claimed invention of Party B and the claimed invention of Party B must anticipate or render obvious the claimed invention of Party A. In applying the two-way test, the district court first treated the ‘100 patent as prior art and concluded that removal of the tertiary amine to obtain the ‘827 patent process would not have been obvious. As a result, there could be no interference-in-fact, and there was no need to apply the second leg of the two-way test.

On appeal, the Federal Circuit first considered the district court’s claim construction of the transition term “comprising” in the ‘827 patent claims. The Federal Circuit found that the district court had erred in assuming that the absence of an affirmative claiming of tertiary amines excluded them from the scope of the claims. While the process described by the ‘827 patent does not require the presence of a tertiary amine, the Court concluded that the claims could not be read to exclude it.

The Federal Circuit then turned to the interference-in-fact analysis. According to the Federal Circuit, the district court was correct in attempting to define whether an interference-in-fact existed by using the two-way test. However, the Federal Circuit reversed the district court’s findings that the first leg of the two-way test was not satisfied since, when the claims are properly construed, claims 1 and 2 of the ‘100 patent plainly anticipate claims 1 and 17 of the ‘827 patent. The Federal Circuit concluded that the ‘100 patent teaches a process that falls within the scope of the claims of the ‘827 patent. As the district court made no findings of fact regarding the second leg of the interference inquiry, the Federal Circuit was unable to undertake any review and the case was remanded back to the district court to make

factual determinations of anticipation and obviousness for this portion of the interference inquiry. The Federal Circuit also vacated the district court’s determination that Medichem had established priority of the ‘100 patent, ruling that without first identifying an interference-in-fact under the two-way test, the district court had no jurisdiction to make a priority determination between two patents.

Finally, the Federal Circuit pointed out that since the Board had declared an interference-in-fact between claim 2 of the ‘100 patent, upon which one of the inventors had filed a reissue application, and claim 17 of the ‘827 patent, the district court had the discretion to stay the proceedings pending the outcome of the PTO proceedings.

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## Lost Profits Must Be Allocated to Patented Invention

*Kenneth M. Lesch*

**[Judges: Linn (author), Dyk, and Rader (concurring)]**

In *Ferguson Beauregard/Logic Controls, Division of Dover Resources, Inc. v. Mega Systems, LLC*, No. 02-1380 (Fed. Cir. Dec. 4, 2003), the Federal Circuit reversed the district court’s claim construction of U.S. Patent No. 5,146,991 (“the ‘991 patent”) assigned to Delaware Capital Formation, Inc. (“Delaware Capital”) and licensed to Ferguson Beauregard/Logic Controls, Division of Dover Resources, Inc. (“Ferguson”), and vacated the determination that Mega Systems, LLC (“Mega”) infringed the ‘991 patent. The Federal Circuit also affirmed the district court’s claim construction of U.S. Patent No. 4,352,376 (“the ‘376 patent”), also owned by Delaware Capital and licensed to Ferguson, and affirmed the finding that Mega infringed the claims of the ‘376 patent.

The patents in this case relate to electronic control systems to produce petroleum products from a well. The terms at issue in

Ferguson's '991 patent were "assigning . . . values" that represent "normal" and "predetermined" plunger performance. The Federal Circuit agreed with the district court that assigning "values" requires two different values defining a time interval. The "values," however, do not have to be "separately settable" because, as the Federal Circuit reasoned, nothing in the intrinsic evidence suggests such a limitation. The Federal Circuit consulted a dictionary to ascertain the ordinary and customary meaning of "normal" and "predetermined." The Court concluded that "normal plunger performance" means performance that is "standard or regular" and not in need of correction, and concluded that "predetermined plunger performance" means plunger performance determined "beforehand."

Concerning infringement of Ferguson's '991 patent, the Federal Circuit concluded that the upper bound of Mega's time interval is still a "value," even though the upper bound is fixed relative to the lower bound. Further, the Federal Circuit concluded that a well operator's subjective choice for the time-interval values is irrelevant as long as the values represent "normal plunger performance," as defined by the Court.

Ferguson argued that the district court applied the wrong standard when determining that an officer of Mega should not be personally liable for inducing Mega to infringe the '376 and '991 patents. Ferguson argued that a defendant need not be aware that accused activities amounted to infringement, but that the defendant needs only to be aware of the activities themselves. The Federal Circuit agreed with the district court, however, that a defendant must possess specific intent to encourage another's infringement and not merely possess knowledge of the acts alleged to constitute infringement. Because Ferguson submitted no evidence under the correct standard, the Federal Circuit affirmed the district court's determination.

The district court had struck all claims and defenses of willful infringement and inequitable conduct because, as the district

court reasoned, they did not meet the standards of the Federal Rules of Civil Procedure requiring that all averments of fraud be stated with particularity. The Federal Circuit noted, however, that willfulness does not equate to fraud, and, thus, the stringent requirement of the Rules of Civil Procedure do not apply. Further, the Federal Circuit found the refusal to allow an amended complaint to reintroduce Ferguson's claim of willfulness to be an abuse of the district court's discretion as a matter of law and reversed the decision.

In district court, Ferguson alleged that Mega's earlier petition to the PTO for revival of U.S. Patent No. 4,921,048 ("the '048 patent") was "improper" because the petitioner did not have first-hand knowledge concerning the failure to pay maintenance fees. Ferguson, however, did not allege "inequitable conduct" and the district court concluded that it had no authority to take action based on the allegedly "improper" revival of the '048 patent. The Federal Circuit noted that inequitable conduct, while a broader concept than fraud, must be pled with particularity, which Ferguson did not do. Therefore, the Federal Circuit affirmed the district court's decision declining to address the alleged inequitable-conduct issues because it was not properly raised.

The Federal Circuit then considered Mega's cross appeal. Mega argued that the district court did not properly construe "valve means" in Ferguson's '376 patent. The Federal Circuit determined that Mega's arguments were factual in nature and amounted to arguments that it did not infringe the "valve means" under the DOE, as the district court concluded. The Federal Circuit agreed with the district court, however, that there was sufficient evidence presented that Mega infringed under the DOE.

Mega also argued that the district court's award of lost-profit damages for infringement of the '376 patent was in error. The district court based its lost-profits award for infringement of the '376 patent on evidence of sales of Mega's device embodying features of both the '376 patent and the noninfringed '991

patent. The Federal Circuit disagreed with this method, however, and held that the district court must distinguish the allocation of profits that would have been made “but for” the infringement of the ‘376 patent from the profits that could fairly be allocated to customer demand related to the features of the ‘991 patent. Thus, the Federal Circuit vacated the damages award.

The district court determined that Mega’s ‘048 patent required an adjustment of an “off-time,” and that Ferguson did not meet this limitation. The district court relied on two claim limitations, specifically “decreasing the length of the [off-time] period for the next cycle of the well” and “changing the value of either the off-time or the exhaust-time . . . on each successive cycle.” Mega argued that the district court’s infringement analysis failed to consider that Ferguson’s device does, on occasion, perform the step of adjusting the off-time. The Federal Circuit disagreed, however, stating that the plain language of the claim requires that an adjustment must always be made.

Finally, Mega argued that the district court had erred in prohibiting it from introducing evidence, including evidence of an on-sale bar to invalidate the ‘991 patent in a re-examination proceeding. The district court excluded the evidence because Mega failed to give thirty days of notice under 35 U.S.C. § 282. Mega argued that it presented the evidence by filing for re-examination and by filing an “Advisory to the Court re: Patent Re-Examination.” Mega also claimed that Ferguson was on notice because it participated in discovery, including depositions, related to the prior art that Mega sought to introduce. The Federal Circuit determined, however, that these actions were insufficient notice under the statute.

Judge Rader concurred in the opinion, but added that when a court relies on a dictionary definition, it must include reasoning to substantiate its choice of definition from the many other possible definitions.

## Substantial Evidence Supports \$20 Million Jury Verdict of Infringement

Rebecca M. McNeill

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

In *Utah Medical Products, Inc. v. Graphic Controls Corp.*, No. 03-1081 (Fed. Cir. Dec. 4, 2003), the Federal Circuit affirmed a judgment in favor of Utah Medical Products, Inc. (“Utah”), the patentee, in a patent-infringement suit against Graphic Controls Corporation (“Graphic Controls”) concerning Graphic Controls’ Softrans® device for measuring intrauterine pressure during childbirth.

Utah owns U.S. Patent No. 4,785,822 (“the ‘822 patent”), which describes and claims a device for measuring the internal pressure of a body cavity. The medical device of the ‘822 patent is rigid and can be inserted without a removable guide tube, which was necessary for certain prior art devices. The ‘822 patent claims contain a limitation to a “stiffener means” to ensure the appropriate rigidity for the device.

In construing the claim term “stiffener means,” the district court found the corresponding structure in the ‘822 patent to be a steel stylet. The district court construed the stiffener means to cover the disclosed stylet, or its equivalent structure, that imparts sufficient rigidity to the cable means so that a transducer can be inserted without the use of an external guide tube, and the stylet, or its equivalent structure, is a separate component of the cable means but must be permanently encased within the cable means.

The Softrans® device found to be infringing is a transducer-tipped intrauterine pressure catheter (IUPC) that achieves rigidity from the hardness and geometry of the plastic casing of the electrical cable. The infringement trial focused on the question of whether the Softrans® device contained the equivalent of



a “stiffener means” of the ‘822 patent. The jury found that the hardness and geometry of the plastic casing was an equivalent structure to the steel stylet disclosed as a permanent “stiffener means” in the ‘822 patent. A subsequent bench trial resulted in a finding that the ‘822 patent was not indefinite regarding the “stiffener means” term. Graphic Controls appealed both of these decisions.

On appeal, the Federal Circuit found that the district court properly identified the steel stylet as the corresponding structure for the stiffener means and complimented the district court for correcting its construction before trial after having initially construed the phrase incorrectly.

The Federal Circuit also found substantial evidence to support the jury’s finding that the Softrans® device’s plastic casing was equivalent to the disclosed structure in the ‘822 patent. Expert testimony during the trial established that the plastic casing was interchangeable with the steel stylet for stiffening purposes.

Graphic Controls asserted that the ‘822 patent does not properly link the function of stiffening to a plastic cable cover disclosed in the ‘822 patent and, therefore, any claim allowing a cover to perform that function is invalid as indefinite. The Federal Circuit pointed out that the equivalent found was a hard plastic, dual-lumen cable cover extruded in a specific geometry, not merely a simple plastic cable cover, which, by itself, was not an equivalent to the steel stylet.

In evaluating the damages theory, the Federal Circuit found that the evidence used to make the damages calculation was sound. It was proper for the jury to conclude that nearly every customer that purchased the Softrans® device from Graphic Controls would have purchased the Utah device if the Softrans® device had not been on the market because these were the only two competing products in the defined market. The Court agreed that the market had been properly defined as transducer-tipped IUPCs and

excluded other IUPCs, such as fluid-filled IUPCs, which did not compete in price or performance.

## Court Relies on Definition of Claim Term from Prior Art

*Troy E. Grabow*

**[Judges: Dyk (author), Prost, and Bryson (concurring)]**

In *Kumar v. Ovonic Battery Co.*, No. 02-1551 (Fed. Cir. Dec. 11, 2003), the Federal Circuit vacated the district court’s grant of SJ of noninfringement and remanded for further proceedings.

The patent-in-suit, U.S. Patent No. 4,565,686 (“the ‘686 patent”), relates to certain rare earth transition alloys that are suitable for use in batteries. Kaplesh Kumar, the owner of the ‘686 patent, sued Ovonic Battery Company, Inc. and Energy Conversion Devices, Inc. (collectively “Ovonic”) for direct, contributory, and induced infringement of the ‘686 patent.

The claims of the ‘686 patent recite an amorphous rare earth-transition metal alloy material. The district court construed the claims, finding that the specification and prosecution history supported Ovonic’s definition of amorphous as being “completely” amorphous (i.e., where there is no ordering of molecules). The district court rejected Kumar’s definition of amorphous (all partially crystalline alloys with long-range order less than 100 nm), stating that Kumar’s definition had been developed after his patent was filed. Based on this claim construction, the district court granted SJ of noninfringement to Ovonic.

The Federal Circuit disagreed with the district court’s construction of the term “amorphous.” Ovonic urged that the correct definition appeared in a dictionary, defining amorphous as “without real or apparent crys-

talline form: uncrystallized.” Kumar pointed to a definition of amorphous from U.S. Patent No. 4,116,682 (“the Polk patent”), which was listed as prior art in the ‘686 patent. The Polk patent, which was discussed during prosecution, defines a solid amorphous material as one in which the “constituent atoms are arranged in a spatial pattern that exhibits no long range order, that is, it is non-crystalline . . . .” The Federal Circuit noted that although the dictionary can be an important tool in claim construction, the Polk patent is intrinsic evidence because it was cited in the ‘686 patent and can, therefore, resolve ambiguity in the claim language, or even trump an inconsistent dictionary definition. Thus, the Federal Circuit concluded that the Polk patent definition should control unless the specification clearly states an alternative meaning or this meaning was disclaimed during prosecution.

The Federal Circuit then concluded that the specification and prosecution history do not require a different interpretation than the Polk patent’s definition of an amorphous alloy. The Court ruled that the specification did not clearly and deliberately define the term “amorphous” as “completely amorphous,” and, therefore, did not support a construction contrary to the definition from the Polk patent.

During prosecution, Kumar cancelled claims and amended claims to recite “amorphous rare earth-transition metal alloy material” and delete all references to “nonequilibrium atomic structure” or their “metastable crystalline state.” But, the Federal Circuit concluded that Kumar did not surrender everything within the scope of metastable and partially crystalline and nothing in the prosecution history supports a definition of amorphous contrary to the plain meaning as defined by the Polk patent.

The Federal Circuit then noted that questions remain as to the meaning of the phrase “long range order” in the Polk definition. The Federal Circuit noted that contrary to Kumar’s contentions, none of the references cited by Kumar provides a clear definition of the term. The Federal Circuit concluded that

“testimony from those skilled in the art is required to establish the meaning of the term ‘long range order.’” Based on the new claim construction, the Federal Circuit vacated the grant of SJ of noninfringement and remanded for further proceedings.

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## Claim Construction Is “Sticky” Business

Colin C. Heitzmann

[Judges: Clevenger (author), Linn, and Michel (dissenting)]

In *3M Innovative Properties Company v. Avery Dennison Corporation*, No. 03-1203 (Fed. Cir. Dec. 2, 2003), the Federal Circuit rejected the district court’s claim construction and vacated a SJ of noninfringement.

The 3M Innovative Properties Company and Minnesota Mining and Manufacturing Company (collectively “3M”) compete with the Avery Dennison Corporation (“Avery”) in the market for adhesive-based products for the commercial-graphics industry. Both produce sheets of adhesive-backed film on which images can be preprinted. 3M’s patent, U.S. Patent No. 5,897,930 (“the ‘930 patent”), discloses and claims a release liner that avoids positioning and air-entrapment difficulties associated with affixing the films on a surface. Specifically, the ‘930 patent focuses on embossed webs that are manufactured with a particular type of three-dimensional configuration that are useful since they form an obverse topography in the exposed adhesive. Claim 1 of the ‘930 patent is the only claim at issue in the appeal and describes a carrier web that includes a multiple embossed pattern having both a first embossed pattern and a second embossed pattern.

3M claims that Avery’s EZ Film infringes claim 1 of the ‘930 patent since it has a multiple embossed pattern, having a liner that contains indentations as well as a hexagonal pattern. The district court granted SJ for

Avery and, in doing so, construed the term “multiple embossed pattern” to require sequential embossments. Further, the district court defined the term “embossed” by imposing a limitation related to the process by which the embossed surface was made.

The Federal Circuit disagreed, concluding that the district court’s claim construction was incorrect. The Federal Circuit held that the district court had erred when it defined the term “multiple embossed patterns” to include a limitation that the patterns be created sequentially, finding that 3M’s use of the terms “first pattern” and “second pattern” is a common patent law convention that distinguishes between repeated instances of an element or limitation and does not, in and of itself, impose a serial or temporal limitation onto the claim. In the specification of the patent, 3M acted as its own lexicographer by simply requiring the superimposition of two or more embossed patterns. Although the specification repeatedly recites serial application of the two patterns, the Court reiterated that limitations from the specification cannot be imported into the claims, especially when a clear, nonsequential definition for the term “multiple embossed” is found in the specification.

Avery argued that 3M expressly disclaimed any patent scope beyond a sequential embossment of patterns when 3M utilized arguments that contained temporal inferences to overcome prior art rejections. However, the Federal Circuit found that 3M in fact made broadening claim amendments during the prosecution history and actually dropped the sequential limitation.

The Court also held that the district court had erred when it defined the term “embossed” by imposing a limitation related to the process by which the embossed surface was made because 3M provided a definition of the term in the specification that was entirely structural. The Court also vacated the SJ and remanded the case back to the district court for further proceedings consistent with the Court’s opinion on claim construction.

Judge Michel dissented, noting that the majority’s claim construction contradicts the definition of claim terms chosen by 3M, as well as the analyses of the district court and the Examiner, both of whom interpreted claim 1 as a product-by-process claim.

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## Infringement Finding Does Not Vitate Claim Limitation

*Vince Kovalick*

**[Judges: Lourie (author), Mayer, and Newman (concurring-in-part and dissenting-in-part)]**

In *Ericsson, Inc. v. Harris Corp.*, No. 02-1571 (Fed. Cir. Dec. 9, 2003), the Federal Circuit reversed a grant of JMOL of noninfringement and affirmed a denial of JMOL relating to damages.

Ericsson, Inc. (“Ericsson”) owns U.S. Patent No. 4,961,222 (“the ‘222 patent”), which is directed to an apparatus for supplying power to a telephone set in a telecommunications system. The claimed invention is designed to reduce the idling power that is dissipated by amplifiers that transmit speech signals across a subscriber line. Ericsson sued Harris Corporation (“Harris”) for infringement of claims 1 and 2 of the ‘222 patent based on Harris’s sales of three accused Subscriber Line Interface Circuits (“SLICs”). A jury found that Harris’s accused devices did not literally infringe, but did infringe under the DOE. The district court, however, granted Harris’s motion for JMOL of noninfringement.

Claim 1 requires that the speech-signal amplifiers “only supply power” to the telephone set in the off-hook position. The evidence showed that the speech-signal amplifiers in the accused devices supply some power to the telephone set in the on-hook position, and Ericsson argued equivalence. But, the district court concluded that a determination of equivalence would vitiate the “only supply power” limitation in the claims.

The Federal Circuit found error with the district court's ruling. Concerning literal infringement, the Court ruled that the "only supply power" limitation refers to power supplied by the speech-signal amplifiers. Ericsson convinced the Federal Circuit that transistors in the accused devices are part of the control circuitry that merely switches the speech-signal amplifiers on and off, not the speech-signal amplification circuitry. Thus, the Federal Circuit found the evidence sufficient to support a reasonable jury's finding that any power supplied by the transistors in the accused devices is not supplied by the speech-signal amplifiers and, therefore, does not vitiate the "only supplied power" limitation. Moreover, the evidence showed that power supply during on-hook times occurs less than 0.1% of the time in the accused product. The Court ruled that the jury reasonably could have concluded that this operation was insubstantially different from the claimed invention under the DOE.

The jury awarded Ericsson damages in the amount of \$3.5 million for lost profits due to lost sales, \$645,000 for lost profits due to

price erosion, and \$136,000 as a reasonable royalty. The Federal Circuit concluded that substantial evidence supported the jury's verdict for all three damages awards, noting that although an inelastic market may be rare, Ericsson's expert produced credible economic evidence showing that an inelastic market in this instance would nonetheless support lost profits.

Judge Newman concurred-in-part and dissented-in-part. In her opinion, the claim limitation at issue had been narrowed during the prosecution history, and, as a result, under the *Festo* precedent, the DOE was not available for that limitation.

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In **Last month at The Federal Circuit**, certain terms, titles, and names of federal agencies that are frequently referred to in text, appear in abbreviated forms or as acronyms. These abbreviated forms and acronyms are listed below.

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