

Last Month at the Federal Circuit

December 2007

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- In *Digeo, Inc. v. Audible, Inc.*, No. 07-1133 (Fed. Cir. Nov. 1, 2007), the Federal Circuit remarked that the “facts of this case read like a novel” and involve “a not-so-dead inventor, forged documents, no evidence of culpability, and a late discovery request.” See the summary in this month’s issue below.
- In *Zenon Environmental, Inc. v. U.S. Filter Corp.*, Nos. 06-1266, -1267 (Fed. Cir. Nov. 7, 2007), the Federal Circuit held that a patent was anticipated by its own great-grandparent patent, because continuity of disclosure was not properly maintained. See the summary in this month’s issue below.
- In *HIF Bio, Inc. v. Yung Shin Pharmaceuticals Industrial Co.*, No. 06-1522 (Fed. Cir. Nov. 13, 2007), the Federal Circuit held that it lacked jurisdiction to review an appeal of a district court remand order declining to exercise supplemental jurisdiction over state law claims. See the summary in this month’s issue below.

Not-So-Dead Inventor and Forged Documents Not Enough to Make Case “Exceptional” Under 35 U.S.C. § 285

Elizabeth D. Ferrill

Judges: Michel (author), Moore, Cote (District Judge sitting by designation)

[Appealed from W.D. Wash., Judge Robart]

In *Digeo, Inc. v. Audible, Inc.*, No. 07-1133 (Fed. Cir. Nov. 1, 2007), the Federal Circuit affirmed the district court’s denial of defendant’s motion for attorneys’ fees under 35 U.S.C. § 285, including its request for additional discovery to develop the section 285 claim. In doing so, the Court found no clear error in the district court’s finding that this was not exceptional and no abuse of discretion in its denial of additional discovery.

Digeo, Inc. (“Digeo”) purchased U.S. Patent No. 5,734,823 (“the ’823 patent”) “as is” at a bankruptcy estate sale. The ’823 patent, directed towards video pocket readers, listed four inventors, including Edward Chang and his brother, Hsiao-Shih Chang, who goes by the informal name Oliver Chang. According to the file history for the ’823 patent, Oliver Chang signed an assignment and a power of attorney as the executor of the estate of his apparently deceased brother, Edward.

Claiming to be the rightful owner of the patent, Digeo sued Audible, Inc. (“Audible”) for infringement of the ’823 patent. During a deposition, Audible discovered that Edward Chang was alive and that Oliver Chang had not signed the purported power of attorney or assignment. Upon learning this information, Audible secured a license from Edward Chang to the ’823 patent retroactive to the date of issuance. Soon thereafter, the district court dismissed the case, in part because the assignments were forgeries and, thus, did not convey legal title to Digeo. The district court also denied Audible’s section 285 motion and request for additional discovery because there was no clear and convincing evidence that Digeo knew or should have known about the forged documents. Audible appealed.

“This is a unique case involving an unusual set of facts—a not-so-dead inventor, forged documents, no evidence of culpability, and a late discovery request.” Slip op. at 12.

On appeal, the Court initially reviewed the district court’s findings that there was no clear and convincing evidence that Digeo knew or should have known of the defect in its title to the ’823 patent. The Court found that the district court’s findings and inferences were not clearly erroneous. In so doing, the Court rejected Audible’s argument that the defect in title should have been discovered by Digeo

through ordinary diligence, noting that no one else (including prior litigants that had settled their suit with Digeo) discovered the defect prior to Audible, and that it took Audible itself at least a year of litigation to discover the problem.

Audible further argued that the district court committed error by switching the burden of proof to Audible to show that Digeo had not performed an appropriate presuit investigation, rather than leaving that burden with Digeo, in contravention of *View Engineering, Inc. v. Robotic Vision Systems, Inc.*, 208 F.3d 981 (Fed. Cir. 2000). The Court was not persuaded by this argument. The Court found *View Engineering* inapposite because the case interprets Fed. R. Civ. P. 11, not section 285. For section 285 motions, the burden of proof remains with the movant to show by clear and convincing evidence that the case is exceptional. Further, although the Court noted that a Rule 11 violation may serve as the basis for finding a case exceptional, there was no Rule 11 motion or finding by the district court in this case. Therefore, the burden was on Audible, as the movant, “to prove by clear and convincing evidence that the case was exceptional by showing that Digeo brought a frivolous lawsuit because it knew or should have known that it lacked legal title to the ’823 patent.” Slip op. at 8. Thus, the Court held that the district court did not misapply the legal standard under section 285.

In addition, the Court rejected Audible’s argument for a heightened standard of presuit investigation when a patent holder purchases a patent “as is,” noting that Digeo ignored “red flags” in the file history. The Court disagreed with Audible’s expansive reading of section 285, stating that it has “never required a heightened investigation into the legal title of all patents purchased ‘as is.’” *Id.* at 9. Instead, the Court explained that merely negligent conduct does not suffice to establish that a case is exceptional. The Court found no clear error in the district court’s finding that Audible adduced no evidence suggesting Digeo’s negligence, much less a higher degree of culpability, in not learning of the title defect.

The Court further stated that the pertinent inquiry was whether Digeo knew or should have known its legal title was defective. The Court found that the district court did not commit clear error in finding that Digeo did not perpetrate or know about, nor

should Digeo have known about, the forged documents—and hence a possible defect in its legal title. Although noting that the facts of this case were unusual, the Court held that the case was not exceptional under section 285.

As for the district court’s denial of additional discovery, the Court reviewed the district court’s decision for abuse of discretion, applying the law of the regional circuit. A reviewing court will not disturb a denial of additional discovery unless there is “the clearest showing” that the denial will result in “actual and substantial prejudice to the complaining litigant.” *Id.* at 11 (quoting *Laub v. U.S. Dep’t of Interior*, 342 F.2d 1080, 1093 (9th Cir. 2003)). In denying Audible’s request for additional discovery, the district court found that Audible’s motion was based on its unsubstantiated speculation of Digeo’s misconduct and that Audible’s request was late under the circumstances. The Court found that the district court balanced Audible’s assertion that additional discovery would produce evidence of Digeo’s culpable conduct against the expenditure of resources discovery would require and determined that additional discovery was not warranted. Audible’s “unsubstantiated speculation” about Digeo’s conduct did not demonstrate a “reasonable probability that the outcome [of its section 285 motion] would have been different had discovery been allowed.” *Id.* Therefore, the Court found no abuse of discretion in the district court’s denial of the discovery motion.

Assignee Information Printed on Face of Patent Provided Sufficient Identification of Patentee for Purposes of Notice Under 35 U.S.C. § 287(a)

Joyce Craig

Judges: Newman, Lourie, Linn (author)

[Appealed from S.D.N.Y., Judge Castell]

In *U.S. Philips Corp. v. Iwasaki Electric Co.*, No. 07-1117 (Fed. Cir. Nov. 2, 2007), the Federal Circuit reversed a district court’s decision to limit U.S. Philips Corporation’s (“U.S. Philips”) right of

recovery to acts of infringement after the complaint was filed because notice of the patent-in-suit was inadequate. Further, the Federal Circuit affirmed the district court's claim construction and entry of partial SJ of no literal infringement, but vacated its entry of partial SJ of noninfringement under the DOE.

“Although the assignation printed on the face of a patent is not a conclusive indication of the patent's current ownership, when the information printed on the patent is correct, it is enough to put an accused infringer on notice of the patentee's identity.”
Slip op. at 7.

U.S. Philips is the assignee of U.S. Patent No. 5,109,181 (“the '181 patent”), which is directed to high-pressure mercury vapor discharge lamps. On June 7, 2000, Mr. Rolfes, an employee of Philips International B.V., Corporate Intellectual Property, sent Iwasaki Electric Company Ltd.

(“Iwasaki”) a letter on Philips International B.V. letterhead. That letter notified Iwasaki of infringement of at least four patents, including the '181 patent, a copy of which was enclosed. The letter did not identify U.S. Philips as the patent owner or disclose the corporate relationship between U.S. Philips and Philips International B.V.

U.S. Philips filed suit against Iwasaki on January 8, 2003, alleging infringement of claim 1 of the '181 patent. In an opinion granting partial SJ, the district court decided that the Rolfes letter did not provide adequate notice within the meaning of 35 U.S.C. § 287(a) because the letter did not identify U.S. Philips as the owner of the '181 patent and did not purport to speak for U.S. Philips. Because U.S. Philips did not mark its lamps and because the district court found that the Rolfes letter did not provide adequate notice, the district court limited Iwasaki's liability to infringement since January 8, 2003, the date U.S. Philips filed its complaint.

The district court then granted SJ of noninfringement both as to literal infringement and infringement under the DOE. It did so because it found that Iwasaki manufactured or sold no lamps after January 8, 2003, that infringed claim 1 under the district court's construction of the claim phrase “a quantity between 10^{-6} and 10^{-4} $\mu\text{mol}/\text{mm}^3$.” U.S. Philips

appealed the district court's limitation of liability to acts of infringement after the complaint was filed, its claim construction, and its entry of SJ as to infringement by equivalents.

On appeal, the Federal Circuit first reversed the district court on the notice issue. In so doing, the Court applied the standard for actual notice set forth in *Amsted Industries Inc. v. Buckeye Steel Castings Co.*, 24 F.3d 178, 187 (Fed. Cir. 1994). In that case, the Court held that actual notice under § 287(a) “requires the affirmative communication of a specific charge of infringement by a specific accused product or device.” Slip op. at 6. The Court concluded the Rolfes letter met that standard. The Court then distinguished the Rolfes letter from the letter in *Lans v. Digital Equipment Corp.*, 252 F.3d 1320 (Fed. Cir. 2001). In *Lans*, a letter sent by the inventor of the patent-in-suit, and the sole shareholder and managing director of the assignee company, was insufficient to create notice because it was not sent by the patent owner. In so finding, the Court in *Lans* stated that the actual notice requirement of § 287(a) demands notice of “the patentee's identity” and that the notice must arise by “an affirmative act on the part of the patentee which informs the defendant of infringement.” Slip op. at 6-7 (quoting *Lans*, 252 F.3d at 1327-28).

Iwasaki argued that the Rolfes letter was deficient under *Lans* because it was not sent by, and did not reference, the patent owner, U.S. Philips. In distinguishing the Rolfes letter from the *Lans* letter, the Court noted that the front page of the '181 patent, which was enclosed with the Rolfes letter, identified U.S. Philips as the assignee. Further, the Court found that Philips International B.V. had ultimate responsibility for licensing and enforcement of the '181 patent and was the party to contact regarding the contents of the letter. For these reasons, the Court concluded that the Rolfes letter constituted notice under § 287(a) and Iwasaki was liable for any acts of infringement that took place after June 7, 2000, the date of the letter.

Turning to the question of claim construction, U.S. Philips argued that the phrase “a quantity between 10^{-6} and 10^{-4} $\mu\text{mol}/\text{mm}^3$,” as it relates to halogen concentrations, should be construed as approximately 3.2×10^{-7} to 3.2×10^{-4} $\mu\text{mol}/\text{mm}^3$ because the phrase

refers to orders of magnitude rather than precise numbers. Specifically, U.S. Philips contended that one of ordinary skill in the art of lamp chemistry would understand “10⁻⁴” to mean something less precise than “1 x 10⁻⁴” because of the absence of a coefficient (“1”). The Court disagreed, finding no reason to treat the numbers “as anything other than the ordinary numbers that they are.” *Id.* at 8. The Court found support for its construction in the specification, which suggests that 10⁻⁵ is used as a synonym for 1 x 10⁻⁵. Accordingly, the Court affirmed the district court’s construction.

The Court declined to consider whether and how to round numbers when applying its construction to the accused lamps after concluding that U.S. Philips waived the rounding arguments it made in the district court when U.S. Philips failed to raise them on appeal. The Court also rejected Iwasaki’s argument that “10^{-x}” should be construed to mean 1.0 x 10^{-x}, expressing a quantity with greater precision than 1 x 10^{-x} due to the recitation of a significant digit following the decimal point of the coefficient. The Court concluded that the claim language provided no basis for inferring any level of precision beyond the single digit “1.”

The final issue on appeal was whether the DOE is available to extend the claimed construction range beyond its literal scope. The Federal Circuit disagreed with the district court that the claim language expressed boundaries so precisely that resorting to the DOE would “vitiate” the end points of the stated range and, therefore, was precluded. In its analysis, the Court relied on its statement in *Abbott Laboratories v. Dey, L.P.*, 287 F.3d 1097, 1107-08 (Fed. Cir. 2002), that “the fact that a claim recites numeric ranges does not, by itself, preclude . . . [reliance] on the doctrine of equivalents.” Slip op. at 12 (alteration in original). The Court found the disputed claim language of the ’181 patent more analogous to the numeric ranges claimed in *Abbott Laboratories* and *Warner Jenkinson Co. v. Hilton Davis Chem. Co.*, 520 U.S. 17 (1997), than the claim language in cases cited by Iwasaki.

The Court also rejected Iwasaki’s argument that U.S. Philips included the upper concentration limit in its claim to avoid a prior art German patent (“Holmes reference”) that disclosed lamps with a halogen concentration of 5 x 10⁻⁴ and 5 x 10⁻² μmol/mm³, and thus U.S. Philips must demonstrate that it has not

“surrendered” particular equivalents. The Court found Iwasaki’s analogy to prosecution history estoppel improper because there had been no narrowing amendment to the claim at issue and Iwasaki had not asserted prosecution history estoppel in the case. Rather, to determine the permissible range of equivalents, the Court, again citing *Abbott Laboratories*, asked whether “a ‘hypothetical claim’ that literally recites the range of equivalents asserted to infringe . . . could have been allowed by the PTO over the prior art.” Slip op. at 16 (alteration in original). The Court found that the asserted equivalents have halogen concentrations that lie below the range disclosed by the Holmes reference and that Iwasaki had not shown that the Holmes reference anticipates or renders obvious the claimed lamps. Thus, the Court concluded that the Holmes reference does not foreclose the application of the DOE to lamps with halogen concentrations between 1 x 10⁻⁴ and 5 x 10⁻⁴ μmol/mm³.

Failure to Properly Incorporate by Reference Material from Parent Patent Rendered Grandchild Patent Invalid

Bart A. Gerstenblith

Judges: Lourie (author), Newman (dissenting), Linn

[Appealed from S.D. Cal., Judge Brewster]

In *Zenon Environmental, Inc. v. U.S. Filter Corp.*, Nos. 06-1266, -1267 (Fed. Cir. Nov. 7, 2007), the Federal Circuit reversed the district court’s judgment of no invalidity, finding the patent at issue invalid. In so holding, the Federal Circuit found that a particular “gas distribution system” claimed in U.S. Patent No. 6,620,319 (“the ’319 patent”) was not disclosed in its grandparent patent, U.S. Patent No. 5,910,250 (“the ’250 patent”), and that the ’250 patent failed to properly incorporate that feature by reference from its own parent, U.S. Patent No. 5,639,373 (“the ’373 patent”). The Court therefore held that the ’319 patent was not entitled to the priority date of the ’373 patent, and was in fact anticipated by the ’373 patent. The Court declined to reach the cross-appeal seeking reversal of the district court’s grant of SJ of noninfringement.

“[P]atent draftsmanship is an exacting art, and no less care is required in drafting an incorporation by reference statement than in any other aspect of a patent application.”
Slip op. at 18 n.3.

Zenon Environmental, Inc. (“Zenon”) owns the ’319 patent, entitled “Apparatus for Withdrawing Permeate Using an Immersed Vertical Skein of Hollow [Fiber] Membranes.” The ’319 patent relates to the field of water treatment and filtration systems and is directed to “relatively large systems for the microfiltration of liquids.” The ’319 patent discloses the use of a vertical skein and all of the asserted claims require a particular type of gas distribution system. The ’319 patent is the sixth patent to issue from a series of connected applications—including two CIPs and a provisional application—that were filed by the same assignee.

Zenon filed suit against US Filter Corporation (“US Filter”) asserting infringement of three of its patents. Following the district court’s claim construction ruling, Zenon conceded that the accused products did not infringe the asserted claims of the ’319 patent. After a bench trial on validity, the district court concluded that US Filter failed to prove that the ’319 patent was invalid by clear and convincing evidence. Integral to the district court’s holding was the finding that the chain of priority was not broken between the ’319 patent and the earliest filed application in the series, which issued as the ’373 patent. Because of that finding, the district court rejected US Filter’s argument that the ’373 patent was prior art and that its disclosure anticipated the asserted claims of the ’319 patent.

On appeal, US Filter argued that one of the intervening patents, the ’250 patent, did not describe the gas distribution system claimed in the ’319 patent, but instead claimed an entirely new and different gas distribution system. The Federal Circuit agreed with US Filter that the district court erred by concluding that the ’319 patent was entitled to the priority date of the ’373 patent and, thus, clearly erred in concluding that the ’319 patent was not anticipated by the ’373 patent. The Court reasoned that “in order for the ’319 patent to be entitled to priority from the ’373 patent, continuity of disclosure must have been maintained throughout a

chain of patents from the ’373 patent leading up to the ’319 patent.” Slip op. at 11.

The Federal Circuit noted that because the parties had stipulated that the ’373 patent disclosed each and every element of the ’319 patent, the sole question before the district court was whether the intervening ’250 patent maintained the continuity of disclosure by incorporating by reference the gas distribution system disclosed in the ’373 patent, entitling the ’319 patent to an earlier filing date. The Court explained that the incorporation by reference determination is a matter of law, which is reviewed de novo using the reasonable person of ordinary skill in the art standard.

The Federal Circuit disagreed with the district court’s conclusion that the gas distribution system disclosed in the ’373 patent was incorporated by reference in the ’250 patent. Although the ’250 patent stated that “[f]urther details relating to the construction and deployment of a most preferred skein are found in the parent U.S. Pat. No. 5,639,373 and in Ser. No. 08/690,045, the relevant disclosures of each of which are included by reference thereto as if fully set forth herein,” the Federal Circuit agreed with US Filter that the gas distribution system disclosed in the ’373 patent was not a detail that relates to the construction and deployment of a vertical skein, and thus was not incorporated by reference by this language. First, the ’373 patent makes clear that the vertical skein and the gas distribution system are two separate and distinct elements of the claimed invention of the ’373 patent. The ’373 patent expressly states that the vertical skein consists of three distinct elements: fibers, a pair of headers, and a permeate collection means. Thus, the Court concluded, by definition, that a skein does not include a gas distribution system.

Second, the Court noted that throughout the ’373 patent, the inventors used the specific term “gas-scrubbed assembly” to describe the combination of a skein and a gas distribution means. The Court concluded that, as such, a reasonable person of ordinary skill in the art would understand that the gas distribution system covered by the ’373 patent is not a detail relating to the construction and deployment of a vertical skein, but rather is a separate and distinct element of the invention, and thus was not incorporated by reference in the ’250 patent.

Third, the Court reviewed the '250 patent disclosure and concluded that the '250 patent disclosed a gas distribution system different from that disclosed in the '373 patent. The Court hypothesized that, in filing the '250 patent application, the gas distribution system disclosed in the '373 patent was replaced with a different gas distribution system, but, when the '319 patent application was filed, the original gas distribution was restored. Thus, the chain of continuity was broken.

Fourth, the Court distinguished the incorporation by reference language used in the '250 patent from the language used in *Cook Biotech Inc. v. ACell, Inc.*, 460 F.3d 1365 (Fed. Cir. 2006), because the plain language in *Cook Biotech* identified the particular procedure as incorporated. In contrast, the Court found that the '373 patent's gas distribution system was not covered by the chosen incorporation language. Thus, the language in the '250 patent was not sufficiently clear to incorporate the '373 gas distribution system.

Finally, the Court rejected Zenon's contention that the skeins cannot be deployed without the '373 patent's gas distribution system and that, therefore, the gas distribution system must be a detail relating to the skein. The Court found that contention to be belied by claims 1-9 of the '373 patent, which included a skein, but not a gas distribution system.

Accordingly, the Federal Circuit concluded that because the '250 patent failed to incorporate by reference, with sufficient particularity to one reasonably skilled in the art, the gas distribution system disclosed in the '373 patent, a lack of continuity of disclosure thus existed in the family chain and the '319 patent was not entitled to the filing date of the '373 patent. Because the '373 patent was filed more than one year prior to the filing of the '319 patent and it was undisputed that the '373 patent disclosed each and every limitation of the claims of the '319 patent, the Court found the '319 patent invalid as anticipated by the '373 patent. On a closing note, responding to a criticism by the dissent, the Court stated that "patent draftsmanship is an exacting art, and no less care is required in drafting an incorporation by reference statement than in any other aspect of a patent application." Slip op. at 18 n.3.

In a dissenting opinion, Judge Newman criticized the majority for converting facts into law, ignoring the findings of the district court as well as the agreed and undisputed facts, and misapplying the rules of incorporation by reference. Judge Newman accused the majority of turning the district court's factual findings regarding what would be reasonably conveyed to a person skilled in the relevant art into a question of law, thereby avoiding having to determine whether they were clearly erroneous. Finally, Judge Newman argued that this result brings uncertainty into what was a routine practice (incorporation by reference) and casts doubt on its reliable use in the future.

Federal Circuit Lacked Jurisdiction to Review a District Court Remand Declining Supplemental Jurisdiction over State Law Claims

David Albagli

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

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

In *HIF Bio, Inc. v. Yung Shin Pharmaceuticals Industrial Co.*, No. 06-1522 (Fed. Cir. Nov. 13, 2007), the Federal Circuit held that it lacked jurisdiction to review an appeal of a district court remand order declining to exercise supplemental jurisdiction over state law claims.

Plaintiffs HIF Bio, Inc. and BizBiotech Co., Ltd. filed a complaint in state court against numerous defendants, including Carlsbad Technology, Inc. ("CTI"), relating to a dispute over the inventive use of a particular compound as an anticancer agent.

After CTI removed the action to federal court, plaintiffs filed an amended complaint asserting twelve causes of action including DJ for ownership and inventorship of the invention, violations of the

"[A] remand based on declining supplemental jurisdiction must be considered within the class of remands described in § 1447(c) and thus barred from appellate review by § 1447(d)." Slip op. at 14.

RICO Act, and nine state law causes of action. The district court dismissed the RICO Act claim and then declined supplemental jurisdiction over the rights of inventorship and ownership of inventions claims, which it found were state law claims, and also declined supplemental jurisdiction over the plaintiffs' nine other state law claims. Having declined supplemental jurisdiction over the state claims, the district court remanded the case to state court, whereupon CTI appealed the decision to the Federal Circuit.

In the appeal, CTI asserted that the remand order was improper because the question of inventorship is a claim that arises under federal law. Plaintiffs countered that remanding the case was proper because inventorship is solely a state law issue. Before reaching these arguments, though, the Federal Circuit disposed of the appeal on a threshold issue, holding that it lacked appellate jurisdiction to review the district court's remand order.

The Federal Circuit began by explaining that 28 U.S.C. § 1447(d) provides that “[a]n order remanding a case to the state court from which it was removed is not reviewable on appeal or otherwise.” Slip op. at 7 (alteration in original). The Court noted, however, that interpretation of this section is narrower than the plain text suggests. Specifically, the Federal Circuit observed that the Supreme Court has repeatedly held that application of section 1447(d) should be limited to the specific grounds enumerated in section 1447(c).

The Federal Circuit further explained that the language of section 1447(c) indicates that section 1447(d) bars appellate review of remand orders based on (i) a lack of subject matter jurisdiction, or (ii) on “any defect other than a lack of subject matter jurisdiction.” *Id.* at 9 (citation omitted). In this case, the Federal Circuit noted that if the district court had not had supplemental jurisdiction over the state claims, the remand would have been based on a lack of federal question or diversity jurisdiction. Such a remand would clearly be a matter of subject matter jurisdiction as recited in section 1447(c), and therefore barred from review by section 1447(d). Here, however, the district court had subject matter jurisdiction over the RICO Act claim, which in turn conferred supplemental jurisdiction under section 1367(a) over the other claims. The remand order was based on declining supplemental jurisdiction over these other claims. The Federal Circuit addressed, as

a matter of first impression, whether a remand based on declining supplemental jurisdiction under section 1367(c) is within the class of remands described in 1447(c), and therefore barred from review by section 1447(d).

The Federal Circuit noted that several other circuit courts have held that review of a remand order based on declining supplemental jurisdiction is not barred under section 1447(d). The support for this interpretation derives from a 1988 Supreme Court case that, although it held that a district court may in its discretion remand a case in which only pendent state law claims remained, also stated that “the remand authority conferred by the removal statute and the remand authority conferred by the doctrine of pendent jurisdiction overlap not at all.” *Id.* at 11 (citation omitted). Based on this apparent partitioning of the jurisdictional issues, Courts of Appeal have continued to hold that remand orders based on section 1367(c) are not barred under 1447(d) and may be reviewed on appeal.

More recently, another Supreme Court decision, *Powerex Corp. v. Reliant Energy Servs., Inc.*, 127 S. Ct. 2411 (2007), questioned the basis for separating out pendent claims from the analysis under section 1447(c). In fact, the Federal Circuit observed that *Powerex* states that a remand order need only be colorably characterized as a remand based on lack of subject matter jurisdiction to be beyond the reach of appellate courts under § 1447(d).

CTI relied on the Supreme Court's decision in *Quackenbush v. Allstate Insurance Co.*, 517 U.S. 706 (1996), which held that § 1447(d) interposes no bar to appellate review of “abstention-based” remand orders. A court “abstains” from hearing claims over which it has an *independent* basis of subject matter jurisdiction, whether it be federal question jurisdiction or diversity jurisdiction. CTI argued by analogy that § 1447(d) imposes no bar to review of discretionary remands under § 1367(c). The Federal Circuit disagreed, reasoning that a remand premised on abstention cannot be colorably characterized as a remand based on lack of jurisdiction because, in that case, the claims at issue have an independent basis of subject matter jurisdiction. By contrast, the Court noted, when a court declines supplemental jurisdiction, it is declining to extend its jurisdiction to claims over which it has no independent basis of subject matter jurisdiction, i.e., state claims.

In short, the Court concluded that because every § 1367(c) remand necessarily involves a predicate finding that the claims at issue lack an independent basis of subject matter jurisdiction, a remand based on declining supplemental jurisdiction can be colorably characterized as a remand based on lack of subject matter jurisdiction and, therefore, barred from appellate review under § 1447(c) and (d). Accordingly, the Court found it lacked jurisdiction over the appeal and dismissed the case.

Attorney Argument Regarding What Inferences to Draw and Not Disclosing Details of a Process for a Defense Under 35 U.S.C. § 102(g) When the Patent Covered a Process Broadly Did Not Amount to Fraud

John W. Cox

Judges: Newman (author), Rader, Prost

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

In *Apotex Corp. v. Merck & Co.*, No. 06-1405 (Fed. Cir. Nov. 16, 2007), the Federal Circuit affirmed the district court’s denial of Apotex Corp.’s (“Apotex”) motion to set aside a judgment on charges of fraud and its refusal to compel discovery sought by Apotex.

In 1996, Apotex filed suit against Merck & Co., Inc. (“Merck”), alleging that Merck’s process for formulating and producing tablets of the pharmaceutical enalapril (brand name VASOTEC® and used to treat high blood pressure) infringed Apotex’s U.S. Patent Nos. 5,573,780 and 5,690,962. In January 2000, the district court ruled that the Apotex patents were invalid under 35 U.S.C. § 102(g) because the claimed process had been invented and used by Merck before Apotex. *Apotex Corp. v. Merck & Co.*, No. 96 C 7375, 2000 WL 97582 (N.D. Ill. Jan. 25, 2000) (“*Apotex I*”). The Federal Circuit affirmed. *Apotex USA, Inc. v. Merck & Co.*, 254 F.3d 1031 (Fed. Cir. 2001) (“*Apotex II*”).

More than one year later, Apotex initiated the current action seeking to set aside the judgment in the earlier action on charges of fraud, pursuant to Fed. R. Civ. P. 60(b)(3). Apotex also asserted state law claims against Merck for common law fraud and tortious interference with prospective economic advantage, and sought to compel discovery pursuant to the crime fraud exception to the attorney-client privilege. Apotex alleged that Merck had falsely stated, in response to a discovery request in the earlier action, that the entire process was publicly disclosed, and that the process had not been abandoned, suppressed, or concealed. Apotex also claimed that Merck misrepresented facts in its SJ and appellate briefs in *Apotex I* and *Apotex II*, respectively. The district court did not agree, finding that the aspects that Apotex stated established Merck’s fraud concerned details of Merck’s process for manufacturing enalapril, and not information claimed in or disclosed by the Apotex patents. The district court also observed that various allegedly fraudulent statements were not testimony or evidence, but attorney argument. As to Apotex’s request to compel discovery of privileged communications between Merck and its attorneys, the court ruled that Apotex had made no showing sufficient to invoke the crime fraud exception to the attorney-client privilege. The district court also dismissed Apotex’s state law claims. Apotex appealed the district court’s ruling that fraud had not been established.

On appeal, the Federal Circuit observed that Rule 60(b)(3) provides that a judgment can be set aside for fraud or misrepresentation only when the motion is made within a year after the judgment, unless there was “fraud upon the court” or other egregious act not previously uncovered. Slip op. at 6. The Court noted that fraud upon the court requires that “there was a material subversion of the legal process such as could not have been exposed within the one-year

“Fraud upon the court requires that there was a material subversion of the legal process such as could not have been exposed within the one-year window; it requires rigorous proof, as do other challenges to final judgment, lest the finality established by Rule 60(b) be overwhelmed by continuing attacks on the judgment.”
Slip op. at 6.

window; it requires rigorous proof, as do other challenges to final judgment, lest the finality established by Rule 60(b) be overwhelmed by continuing attacks on the judgment.” *Id.* The Court explained that fraud upon the court is typically limited to egregious events, such as bribery of a judge or juror, or improper influence exerted on the court, affecting the integrity of the court and its ability to function impartially. Such issues, noted the Court, are not subject to a one-year limitation, but must be raised within a reasonable time of discovery of the fraud.

In view of these principles, the Federal Circuit determined that no error had been shown in the district court’s analysis and conclusions. It agreed that Merck’s processing details, which were not asserted to be invented by Apotex, did not warrant detailed disclosure, and that the presentation of the Merck process did not establish fraud on the court. The Federal Circuit added that the various other aspects raised by Apotex related to issues that were tried in 2000 and decided in *Apotex I*, and appealed and decided in 2001 in *Apotex II*. The Court concluded that the district court correctly ruled that “evidence that was adduced and argument presented at trial [did] not establish corruption of the judicial process.” *Id.* at 9. Accordingly, it affirmed the district court’s denial of Apotex’s motion to set aside the judgment in *Apotex I* for fraud.

The Federal Circuit also affirmed the district court’s refusal to compel discovery of material that was subject to the attorney-client privilege. Apotex argued that discovery of privileged material was available under the crime-fraud exception, and that since fraud was committed, the privilege did not apply and, therefore, that Apotex was entitled to the requested discovery. Specifically, Apotex argued that Merck’s counsel made fraudulent statements during the earlier litigation. The district court found that the accused statements were simply attorney argument as to the inferences to be drawn from the evidence, and that falsity had not been shown. Agreeing with the district court, the Federal Circuit explained that to obtain the crime fraud exception to the privilege, Apotex must make a prima facie showing of some foundation for the asserted fraud and that Apotex had not done so. Accordingly, it held that the district court did not abuse its discretion in refusing to compel discovery.

Substantial Evidence Supported the Jury’s Verdict of Infringement, Validity, and a \$115 Million Damages Award

Bradley E. Edelman

Judges: Lourie, Linn (author), Bucklo (District Judge sitting by designation)

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

In *z4 Technologies, Inc. v. Microsoft Corp.*, No. 06-1638 (Fed. Cir. Nov. 16, 2007), the Federal Circuit affirmed the district court’s denial of Microsoft Corporation’s (“Microsoft”) motion for JMOL following a jury trial in which the jury found that Microsoft infringed z4 Technologies, Inc.’s (“z4”) U.S. Patent Nos. 6,044,471 (“the ’471 patent”) and 6,785,825 (“the ’825 patent”), and had failed to prove these patents invalid. The Federal Circuit also affirmed the district court’s denial of Microsoft’s motion for a new trial.

The ’471 and ’825 patents relate to the prevention of software piracy. They describe a multistep user authorization scheme, whereby an initial password or authorization code grants the user a “grace period” for a fixed number of uses or a period of time. Users must then submit registration information to a representative of the software developer to receive a second password or authorization code, which enables use of the product beyond the grace period. Users are able to choose between a manual registration mode and an automatic or electronic registration mode. Upon receipt of the registration information, the software representative compares the submitted information to previously stored registration information to determine whether the user is authorized.

z4 sued Microsoft, alleging that the “Product Activation” feature in Microsoft’s “Office” group of software applications and “Windows” operating system infringed the ’471 and ’825 patents. Microsoft countered that it did not infringe and that z4’s patents were invalid and unenforceable. After the district court construed several disputed claim terms, a jury returned a verdict of willful infringement against Microsoft and awarded damages of \$115 million. Microsoft filed various motions for JMOL and a motion for a new trial.

The district court denied these motions and awarded an additional \$25 million in enhanced damages and attorneys' fees to z4. Microsoft appealed.

“[I]nfringement is not avoided merely because a non-infringing mode of operation is possible.” Slip op. at 14.

On appeal, Microsoft argued that the district court erred as a matter of law by denying JMOL of noninfringement based on certain claim limitations—the “user” limitation, the “password” and “authorization code” limitations, and the “automatic” and “electronic” limitations—allegedly lacking in its accused products. With respect to the “user” limitation, the district court construed the term “user” to mean “a person, a person using a computer, a computer, or computers.” Slip op. at 9. Microsoft argued that the proper construction of “user” was “a person or a person using a computer” and that under this construction, its products did not infringe because its products did not recognize “unauthorized users,” but rather unauthorized computers. *Id.* Agreeing with Microsoft’s construction, the Federal Circuit observed that the claims and the specification referred to “user” and “computer” as distinct entities. It noted that because a construction that would equate a “user” with a “computer or computers” conflicted with both the plain language of the claims and the teachings of the specification, the district court’s inclusion of “computer or computers” in its claim construction could not be sustained. Nonetheless, the Federal Circuit found that substantial evidence supported the jury verdict even under its modified construction of “user” because a reasonable juror could find that Microsoft infringed the asserted claims even under its modified construction.

As for the “password” and “authorization code” limitations, Microsoft and z4 agreed that these terms were used interchangeably in z4’s patents, but Microsoft argued that substantial evidence did not support the jury’s finding of infringement with respect to these limitations. The Federal Circuit disagreed. The Court noted that not only was the jury presented with evidence that Microsoft directly instructed its users to input a specific Product Key provided with each copy of the software and that the Product Key was required as part of product installation, but one of Microsoft’s own witnesses admitted that unless users enabled the grace period using this specific Product Key, they would have been unable to complete the Product Activation process (i.e., to enable the software beyond the grace

period). Accordingly, the Court concluded that substantial evidence supported a finding that in the ordinary course of activating a copy of the accused software, a user is required to enter an authorization code—the Product Key—associated with that copy of the software. The Court added that even if the potential use of unassociated Product Keys to enable software grace periods may be framed as a noninfringing mode of operation, its conclusion would be the same. It noted that “infringement is not avoided merely because a non-infringing mode of operation is possible.” *Id.* at 14.

With respect to the “automatic” and “electronic” limitations, claims 44 and 131 of the ’471 patent recite “requiring the user to selectively choose either manual or *electronic* registration,” while claim 32 of the ’825 patent recites “instructions for *automatically* contacting an authorized representative . . . to communicate registration information and obtaining authorization for continued operation.” *Id.* at 15 (alteration in original). Despite the difference in the claim language, the parties agreed that these terms could be analyzed together. The district court construed “automatically” to mean “instructions (i.e. a computer code) that enable a user’s computer to contact an authorized representative of the software.” *Id.* Microsoft argued that once users chose the electronic or automatic registration mode (as contrasted with the manual mode), the initiation of the registration communication must commence without any user interaction. The Federal Circuit disagreed.

The Court noted that the claims were silent as to the initiation of the registration process and that although the specification disclosed that automatic registration was performed “without user intervention,” the claims required at least a minimal level of user interaction to select this registration mode. The Court added that nothing in the claims or the specification precluded user interaction in the selection or initialization of the automatic registration. Accordingly, the Federal Circuit affirmed the district court’s construction of this term. In addition, the Court noted that Microsoft made no effort to argue noninfringement under the district court’s construction and that even under Microsoft’s construction, a reasonable juror could find infringement. Accordingly, it affirmed the district court’s judgment of infringement as well.

Microsoft also argued that the district court erred as a matter of law by denying Microsoft’s motion for JMOL of invalidity under 35 U.S.C. § 102(g). Specifically, in the district court, Microsoft argued

that the Licensing Verification Program (“LVP”) feature, which it implemented in its 1998 Brazilian Publisher (“BP 98”) software product, anticipated the asserted claims of z4’s patents under § 102(g)(2). The district court did not agree and found that a reasonable jury could have concluded that BP 98 did not work for its intended purpose (i.e., to stop piracy) in light of the evidence presented at trial. The Federal Circuit noted that § 102(g)(2) provides that a patent is invalid if “before such person’s invention thereof, the invention was made in this country by another inventor . . .” *Id.* at 17 (alteration in original). The Court observed that it has interpreted § 102(g) to provide that “priority of invention goes to the first party to reduce an invention to practice unless the other party can show that it was the first to conceive the invention and that it exercised reasonable diligence in later reducing that invention to practice.” *Id.* (citation omitted).

The Court explained that Microsoft bore the burden of demonstrating by clear and convincing evidence that BP 98 constituted an actual reduction to practice of the invention claimed in z4’s patents. It noted that in order to establish an actual reduction to practice, the inventor must provide that (1) he constructed an embodiment or performed a process that met all the limitations, and (2) he determined that the invention would work for its intended purpose. The Court noted further that testing is required to demonstrate reduction to practice in some instances because without such testing, there could not be sufficient certainty that the invention will work for its intended purpose. The Court observed that because the necessity and sufficiency of such testing are factual issues, substantial evidence in the record supporting a finding that Microsoft’s LVP software did not work for its intended purpose will suffice to support the jury’s verdict that z4’s patents were not invalid for anticipation.

Applying these principles, the Federal Circuit agreed with Microsoft that the district court incorrectly defined the “intended purpose” of the invention as “to stop piracy.” The Court noted z4’s patents did not disclose a method or apparatus to completely eliminate software piracy, and the claim language indicated that the purpose of the invention is merely the reduction, rather than the elimination, of such piracy. The Court, however, agreed with z4 that the record contained substantial evidence for a reasonable jury to conclude that the antipiracy feature of BP 98 did not work even to reduce piracy. Accordingly, the Court affirmed the district court’s denial of Microsoft’s motion for JMOL of invalidity by anticipation.

In addition, Microsoft requested a remand for a new trial based on allegedly erroneous jury instructions. The Federal Circuit rejected each of these arguments. The Court observed that under the law of the Fifth Circuit, two requirements must be met before a new trial will be granted based on an erroneous jury instruction. First, the challenger must demonstrate that the charge as a whole creates substantial and ineradicable doubt whether the jury has been properly guided in its deliberations. Second, even if the jury instructions were erroneous, noted the Court, it will not reverse if it determines, based upon the entire record, that the challenged instruction could not have affected the outcome of the case.

Specifically, Microsoft challenged the district court’s instruction that “[a]n inventor’s testimony of conception must be corroborated in a single document.” *Id.* at 21. The Federal Circuit noted that the district court conceded that this instruction was improper, but nonetheless held that it did not constitute harmful error because Microsoft never presented, much less relied, on the testimony of an individual inventor for its § 102(g) defense and that this instruction was simply not relevant. Because the Federal Circuit agreed with the district court that this instruction was not relevant, it did not address the merits of Microsoft’s argument. The Court noted further that this instruction could not have affected the outcome of the case in light of the substantial evidence supporting the conclusion that Microsoft’s BP 98 was not a reduction to practice of the asserted claims.

Microsoft also challenged the district court’s instruction that Microsoft had the burden of proving invalidity by clear and convincing evidence. Microsoft argued that the district court abused its discretion by refusing to further instruct the jury that Microsoft’s burden is more easily carried when the references on which the assertion was based were not directly considered by the examiner during prosecution. The Federal Circuit did not agree, noting that despite Microsoft’s reliance on cases indicating that a party may more easily meet the clear and convincing evidence burden when the references at issue were not before the examiner, Microsoft cited no authority compelling courts to provide such an instruction. The Court agreed with the district court that such an instruction might lead the jury to believe that the burden of proof is less than clear and convincing evidence when prior art was not considered by the PTO. Accordingly, it held that the district court did not abuse its discretion in refusing to provide the requested instruction.

In addition, Microsoft requested a remand in light of the Supreme Court’s decision in *KSR International Co. v. Teleflex Inc.*, 127 S. Ct. 1727 (2007), based on the district court’s instruction to the jury that “to find an asserted claim obvious, you must find that there was some teaching, suggestion or incentive to combine the items in the prior art into the particular claimed combination.” Slip op. at 23. The Federal Circuit rejected this argument as well. Because Microsoft failed to identify specific evidence or arguments establishing a prima facie case of obviousness, the Federal Circuit found no abuse of discretion by the district court.

Finally, Microsoft requested a remand for a new trial on damages in light of *Microsoft Corp. v. AT&T Corp.*, 127 S. Ct. 1746 (2007) (addressing infringement under 35 U.S.C. § 271(f) with respect to software components), because the jury made its damages determination based on worldwide sales of the accused products. The Federal Circuit rejected this request, finding no properly defined § 271(f) issue in the record. The Court noted that z4’s complaint alleged infringement using only language from § 271(a) and that the jury instructions similarly only paralleled the language of § 271(a). Accordingly, because Microsoft failed to explain what § 271(f) issues it defined below, let alone preserved, the Federal Circuit denied Microsoft’s request for a new trial on damages.

Prosecution Statement Must Be Clear and Unmistakable to Prevail over the Plain Language of the Claim

Meredith H. Schoenfeld

Judges: Dyk, Moore (author), Cote (District Judge sitting by designation, dissenting)

[Appealed from S.D.N.Y., Judge Owen]

In *Elbex Video, Ltd. v. Sensormatic Electronics Corp.*, No. 07-1097 (Fed. Cir. Nov. 28, 2007), the Federal Circuit held that the district court erred in its construction of the claim term “receiving means” of Elbex Video, Ltd.’s (“Elbex”) U.S. Patent No. 4,989,085 (“the ’085 patent”). In addition, the Court affirmed the district court’s grant of the SJ of noninfringement to Sensormatic Electronics Corporation (“Sensormatic”) with respect to two of

its systems, but reversed the district court’s grant of SJ of noninfringement with respect to a third system and remanded.

The ’085 patent relates to closed circuit television (“CCTV”) systems. CCTV systems include a supervisory station and several remote-controllable television cameras. According to the ’085 patent, an operator using a conventional system might inadvertently control the wrong camera, sometimes unknowingly. The ’085 patent seeks to solve this problem by employing a unique addressing scheme that includes using cameras to generate a first code signal unique to each camera in the system. That first code signal is sent, along with the video signal, to a receiving device located at the supervising station, where the first code signal is extracted by a decoder. After the receiving device receives a first code signal, that signal can be input into a “controlling means” that generates a second signal corresponding to the received first code signal and may transmit that second signal along with control commands to the camera.

Elbex sued Sensormatic, alleging that Sensormatic’s CCTV systems infringed claim 1 of the ’085 patent. Claim 1 requires, inter alia, “receiving means for receiving said video signals and said 1st code signals.” Slip op. at 3. The district court found that during prosecution, the inventor had limited the “receiving means” to a “monitor” that receives the video and first control signal. *Id.* at 4. Based on this construction, it granted SJ of noninfringement to Sensormatic because in Sensormatic’s systems, no data are ever sent from the camera to the monitor. In addition, the district court noted that Sensormatic’s CCTV systems did not satisfy the addressing limitations of claim 1. Elbex appealed.

On appeal, the Federal Circuit observed that because the “receiving means” limitation used “means for,” there was a presumption that the claim invoked 35 U.S.C. § 112, ¶ 6, and that the presumption had not been rebutted. The Court explained that its case law provides the appropriate framework for construing a claim limitation expressed in means-plus-function format, i.e., it must first determine the

“For a prosecution statement to prevail over the plain language of the claim, the statement must be clear and unmistakable such that the public should be entitled to rely on any ‘definitive statements made during prosecution.’”
Slip op. at 10
(citation omitted).

claimed function and then it must turn to the specification to determine which structures disclosed in the specification perform that function. Applying these principles, the Court noted that the function recited in the “receiving means” limitation is the reception of video signals and first code signals. Then, based on the specification, the Court found that the structure in the specification for performing this function included an input line, a low pass filter, an interface, and a television receiver or monitor and any equivalents.

The Court added that claim terms are entitled to a heavy presumption that they carry their ordinary and customary meaning to those skilled in the art in light of the claim term’s usage in the patent specification. However, noted the Court, when a patent applicant surrendered claim scope during prosecution before the PTO, the ordinary and customary meaning of a claim term may not apply. It explained that this doctrine of prosecution disclaimer does not apply where the alleged disavowal is ambiguous and that the disavowal must be both clear and unmistakable. The Court noted that the district court found that the inventor limited the “receiving means” to a “monitor” and that implicit in its determination was a finding that the inventor clearly and unmistakably surrendered any claim scope between the “receiving means” that receives first code signals as expressly recited in the claims and a “monitor” that receives first code signals.

Disagreeing with the district court, the Federal Circuit concluded that the statement to the effect that the code signal was received by the monitor in the prosecution history did not amount to a clear and unmistakable surrender of claim scope. It noted that the statement was “unsupported by even a shred of evidence from the specification” and that read in isolation, the statement in the prosecution history could not be argued to be a disclaimer. *Id.* at 9. It observed that this statement, if taken literally, would result in an inoperable system and that Sensormatic’s own technical witness did not understand how such a system would operate. The Court stated that “[f]or a prosecution statement to prevail over the plain language of the claim, the statement must be clear and unmistakable such that the public should be entitled to rely on any ‘definitive statements made during prosecution.’” *Id.* at 10 (citation omitted). Accordingly, the Court concluded that this was not a case of prosecution disclaimer and that the receiving means was not limited to a monitor. Given its construction of the “receiving means” limitation, the

Court found that the district court improperly granted SJ of noninfringement to Sensormatic.

The Federal Circuit then turned to the district court’s other rationale for SJ. It noted that the district court also concluded that SJ was appropriate because Sensormatic’s CCTV systems did not include a controller that generated a second code signal corresponding to a first code signal that is sent by the camera to the controller. The Federal Circuit agreed with this conclusion with respect to Sensormatic’s CCTV systems employing the RS-422 protocol and SensorNet protocols, and affirmed the district court’s grant of SJ with respect to those systems. However, with respect to Sensormatic’s CCTV systems using the Intellix IP protocols, the Court noted that it was unclear on the record before it whether address information within the data packages sent from a camera to the controller was used by the controller to address control signals to the camera. Because this fact was both material and disputed, the Court reversed the district court’s grant of SJ with respect to the Sensormatic systems using the Intellix IP protocol and remanded.

Judge Cote dissented. In a one paragraph opinion, she noted that when the prosecution history and the patent are considered together, the evidence is clear and ambiguous that Elbex’s reference to a “monitor” during prosecution was an unmistakable surrender of claim scope. She opined that Elbex made significant revisions to the claim to obtain the patent, and was now trying to recapture what it chose to abandon during prosecution.

Cursory Conclusions by Patentee’s Expert Insufficient to Raise a Genuine Issue of Material Fact for SJ as to Infringement Under DOE

Tina E. Hulse

Judges: Schall, Bryson, Moore (author)

[Appealed from D. Col., Judge Matsch]

In *Stumbo v. Eastman Outdoors, Inc.*, Nos. 07-1186, -1205 (Fed. Cir. Nov. 28, 2007), the Federal Circuit affirmed the district court’s grant of SJ of noninfringement in favor of Defendants Eastman Outdoors, Inc. and Ameristep Corporation (collectively “Defendants”).

Steve Stumbo brought suit against Defendants, alleging infringement of U.S. Patent No. 5,628,338 (“the ’338 patent”). The ’338 patent relates to a portable and collapsible hunting shelter or blind. It claims a “closable vertical opening” at a side edge or vertical corner through which one can enter and exit the blind. Defendants’ accused products also involve portable and collapsible blinds, but have triangular-shaped door openings.

“When the claims and specification of a patent are silent as to the result of a claim limitation, . . . we should turn to the ordinarily skilled artisan.” Slip op. at 10.

Defendants moved for SJ of noninfringement, arguing that their products did not infringe the ’338 patent, either literally or under the DOE. The district court construed the term “closable vertical opening” as a “slit-like opening that runs straight up and down or perpendicular to the plane of the horizon.” Slip op. at 3. Based on this construction, the district court concluded that the accused products did not literally infringe the ’338 patent, given that they had triangular openings. The district court also found that the accused products did not infringe under the DOE because their triangular openings did not operate in substantially the same way to create substantially the same result as the ’338 patent’s vertical slit. Moreover, the district court held that the accused products could not infringe under the DOE because the ’338 patent would then cover the prior art and because the “vertical opening” claim element would be vitiated. Stumbo appealed.

On appeal, the Federal Circuit agreed with the district court’s construction of “closable vertical opening.” The Court rejected Stumbo’s argument that the district court erred by applying the word “vertical” to the slit-like shape of the opening in the blind instead of its orientation. The Court noted that accepting Stumbo’s construction would render claim phrases like “along one of said edges” and “along one vertical corner of said structure” superfluous. The Court explained that the specification also supported construing “vertical” to refer to the slit-like shape of the opening because it disclosed that the “legs must flex in order to enable the door opening to expand for ingress and egress.” *Id.* at 8.

The Court observed that a linear slit was the only possible shape of an opening with these characteristics and that there was nothing in the specification to suggest that the patentee contemplated any other shape of opening that could work with this invention. Thus, the Court held that the district court correctly interpreted the claims.

Because Stumbo did not dispute that the accused products did not have vertical slit-like openings, the Federal Circuit noted that there was no factual dispute that the accused products did not literally infringe the ’338 patent. Instead, Stumbo argued that the district court erred in finding no infringement under the DOE. Disagreeing with Stumbo, the Federal Circuit observed that Stumbo had failed to raise any genuine issues of material fact regarding whether the triangular door flap of the accused products operated in substantially the same way with substantially the same result as the slit-like opening of the ’338 patent. The Court rejected Stumbo’s argument that because the claims did not discuss or identify any safety issues, the evidence of whether the triangular flap was easier or safer to enter was not relevant. The Court explained that when the claims and specification of a patent are silent as to the result of a claim limitation, as they are in the ’338 patent, the Court turns to the ordinarily skilled artisan. The Court noted that just because the patent did not mention safety or ease of use did not mean that such evidence was irrelevant to the analysis under the DOE.

The Federal Circuit noted that Defendants offered evidence that a person ordinarily skilled in the art would conclude that the vertical slit opening of the ’338 patent and the triangular opening of the accused products substantially differed in way and result. Stumbo, on the other hand, noted the Court, produced nothing but “cursory conclusions” of how the vertical opening created substantially the same result in substantially the same way. *Id.* at 12. The Court noted that Stumbo’s expert declaration did not explain how either opening operated or how the differences were insubstantial. Accordingly, it concluded that Stumbo failed to raise a genuine issue of material fact for infringement under the DOE for either Defendants’ accused products and affirmed the district court’s grant of SJ of noninfringement. Given this holding, the Federal Circuit did not reach the issues of practicing the prior art or claim element vitiation.

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 January 16, 2008, the Supreme Court heard argument in *Quanta Computer Inc. v. LG Electronics Inc.*, No. 06-937. At issue is the scope of the patent-exhaustion doctrine and whether a patent holder can place any restrictions through a license on a patented product after a first sale has taken place. In addition to the parties, the Solicitor General also argued as amicus curiae.

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Last Month at the Federal Circuit



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