

Last month at

The Federal Circuit



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§ 271(F)(1) PERMITS PATENTEE TO INCLUDE MICROSOFT'S FOREIGN SALES IN ROYALTY AWARD

The language and history of § 271(f)(1) as well as precedent protecting software inventions supports a holding that § 271(f)(1) "components" include software code on golden master disks used to manufacture abroad. *Eolas Techs., Inc. v. Microsoft Corp.*, No. 04-1234 (Fed. Cir. Mar. 2, 2005)1

VALIDITY OF CERTAIN BUSINESS-METHOD PATENTS AFFIRMED

On-line purchase procedures found to infringe. *MercExchange, L.L.C. v. eBay, Inc.*, No. 03-1600 (Fed. Cir. Mar. 16, 2005)2

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EDITED BY | VINCE KOVALICK

§ 271(f)(1) Permits Patentee to Include Microsoft's Foreign Sales in Royalty Award

Vince Kovalick

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

In *Eolas Technologies, Inc. v. Microsoft Corp.*, No. 04-1234 (Fed. Cir. Mar. 2, 2005), the Federal Circuit vacated a district court's JMOL in *Eolas Technologies, Inc.'s* ("Eolas") favor based on Microsoft Corporation's ("Microsoft") anticipation, obviousness, and inequitable-conduct defenses and remanded for a new trial on these issues. The Federal Circuit also affirmed certain claim constructions. Finally, the Court affirmed the district court's holding that "components," according to 35 U.S.C. § 271(f)(1), includes software code on golden master disks.

The jury had found that Microsoft infringed claims 1 and 6 of U.S. Patent No. 5,838,906 ("the '906 patent") and actively induced U.S. users of Internet Explorer to infringe claim 1. The '906 patent allows a user to use a Web browser in a fully interactive environment and specifically calls for a browser located in a "distributed hypermedia environment."

At trial, Microsoft presented evidence that the Viola Web browser ("Viola") was in public use more than one year before Eolas's invention. The Viola inventor, Pie-Yuan Wei, testified at trial that he had written code for Viola in May 1993 and demonstrated its capability to Sun Microsystem's ("Sun") engineers at that time. His testimony was corroborated with code dated from that time period. The district court found that Wei had abandoned, suppressed, or concealed the code because he disclosed it only to Sun's engineers and then changed it. The district court applied this ruling to the application of the Viola prior art under §§ 102(g) and 102(b).

Microsoft also argued that one of the inventors of the '906 patent, Michael Doyle, knew of Viola yet did not disclose it to the PTO. Because the district court determined that Viola was not prior art, it concluded that this knowledge was not material and, hence, there was no inequitable conduct.

Eolas claimed damages for both foreign and domestic sales of Windows with Internet Explorer.

Microsoft moved *in limine* to prevent Eolas from seeking damages based on foreign sales under § 271(f). Microsoft exports a limited number of golden master disks containing software code for the Windows operating system to manufacturers abroad who use the disk to replicate the code onto computer hard drives for sales outside of the U.S. The district court determined that the code on the golden master disk constitutes "components" of an infringing product for combination outside of the U.S. under § 271(f).

On appeal, the Federal Circuit found that the district court had erred in finding that Wei had abandoned, suppressed, or concealed the Viola code such that it did not qualify as prior art. The record contains no evidence that Wei either intentionally withheld Viola from the public or unreasonably delayed a patent application or public disclosure. In contrast, the evidence shows that Wei demonstrated the code to Sun's engineers without a confidentiality agreement and then posted an improved version of the code on a publicly accessible Internet site. Accordingly, the Court vacated this part of the district court's judgment and remanded for further proceedings on consideration of the applicability of the Viola prior art with regard to the validity of the '906 patent. The Federal Circuit also ruled that the district court had erred in linking its § 102(g) abandonment finding to its § 102(b) public-use finding. Similarly, the Federal Circuit vacated the district court's decision on equitable conduct based on its ruling that Viola could constitute prior art.

The Court then took on the question of whether software code made in the U.S. and exported abroad is a "component" of a patented invention under § 271(f). The Court observed that exact duplicates of the software code on the golden master disks are incorporated as an operating element of the ultimate device. Thus, according to the Court, the software code on the golden master disk is not only a component, it is probably the key part of the patented invention. The Court rejected Microsoft's argument that § 271(f) "components" are limited to physical machines because neither the statute, the legislative history, nor precedent contains such a limitation. Accordingly, the Federal Circuit affirmed the district court's ruling that "components," according to § 271(f)(1), includes software code on golden master disks.

Validity of Certain Business-Method Patents Affirmed

Linda J. Thayer

[Judges: Bryson (author), Michel, and Clevenger]

In *MercExchange, L.L.C. v. eBay, Inc.*, No. 03-1600 (Fed. Cir. Mar. 16, 2005), the Federal Circuit affirmed the district court's finding of infringement of one patent by eBay, Inc. ("eBay") and ReturnBuy, Inc. ("ReturnBuy"), but reversed the finding that eBay had induced ReturnBuy to infringe. The Federal Circuit also found a second patent invalid and, therefore, reversed the district court's judgment that Half.com, Inc. ("Half.com") had willfully infringed it. Additionally, the Federal Circuit vacated the lower court's judgment that a third patent was invalid and remanded for further proceedings. The Federal Circuit also reversed the lower court's denial of a permanent injunction, but affirmed the denial of enhanced damages and attorney fees.

MercExchange, L.L.C. ("MercExchange") filed suit against eBay, Half.com (a wholly owned subsidiary of eBay), and ReturnBuy, alleging willful infringement of U.S. Patent No. 5,845,265 ("the '265 patent") by all three Defendants; willful infringement of U.S. Patent No. 6,085,176 ("the '176 patent") by eBay and Half.com; and willful infringement of U.S. Patent No. 6,202,051 ("the '051 patent") by eBay. Half.com owned and operated an Internet Web site that allowed users to search for goods posted on other Internet Web sites and purchase those goods. ReturnBuy owned and operated an Internet Web site that was hosted by the eBay Web site and would direct ReturnBuy customers to the eBay Web site, where items listed for sale by ReturnBuy were displayed in an eBay listing.

The '265 patent pertains to a system for selling goods through an "electronic network of consignment stores." Prospective buyers electronically browse and search for goods stored in the databases of "consignment nodes" operated by consignment stores. Upon purchasing, the buyer can decide to either have the goods shipped to him or resell the goods to another buyer, without taking physical possession of the goods before reselling it. eBay had argued that certain claims of the '265 patent could not be infringed because the systems of eBay and Half.com did not "transfer the ownership" of goods for sale under the

requirements for title transfer under the Uniform Commercial Code ("UCC"). It had asked that the jury be instructed on UCC requirements and with a statement from the court's *Markman* order that transfer of ownership is "not limited to merely modifying the record—legal ownership must be transferred." The Federal Circuit upheld the district court's decision not to provide the jury with the additional jury instructions and agreed with the district court's interpretation of the transfer of ownership limitation based on the teachings of the specification, namely, that the transfer of ownership was accomplished by changing a data record at the consignment node. The Federal Circuit therefore affirmed the district court's denial of the Defendants' motion for JMOL of noninfringement of the '265 patent.

In reviewing the jury's finding that the '265 patent was not invalid, the Federal Circuit stated that even though the Defendants' invalidity arguments in district court were based solely on obviousness, the Defendants may argue both anticipation and obviousness on appeal because anticipation is the epitome of obviousness.

After affirming the validity of the '265 patent, the Federal Circuit affirmed the jury's finding that eBay had willfully infringed, but reversed the portion of the judgment holding eBay liable for \$5.5 million for inducing ReturnBuy to infringe. The Court found that MercExchange had not demonstrated that eBay intended to induce ReturnBuy to infringe, even though some business contacts existed between the companies. Moreover, to be liable for inducement, according to the Court, the evidence must show that eBay intended to induce ReturnBuy to perform all limitations of the asserted claims.

As for the '176 patent, the district court had denied Half.com's motion for JMOL that the '176 patent was invalid and not infringed. The '176 patent involves a method of searching a plurality of electronic markets, that is, a trusted network or system where participants can buy, sell, search, or browse goods on-line. The Federal Circuit found that an article by Arthur Keller disclosed each of the limitations of the asserted claims and is enabling. The Court then held that the '176 patent was anticipated and, therefore, invalid in light of the prior art and directed entry of judgment for Half.com on the '176 patent.

MercExchange cross-appealed to the Federal Circuit seeking reversal of the district court's SJ of invalidity of the '051 patent on the ground that the written description is inadequate. After

reviewing the declarations of MercExchange's experts, the Federal Circuit found that MercExchange had introduced sufficient evidence that the specification would be understood by a person of skill in the art such that there was a genuine issue of material fact. The Court vacated the SJ and remanded for further proceedings.

Lastly, the Federal Circuit reviewed the district court's denial of a permanent injunction and refusal to enhance damages and award attorney fees. The Federal Circuit found that a growing concern over the issuance of "business-method patents" or the possibility of additional infringement trials that may result from Defendants' attempts to design around were not sufficiently exceptional reasons to justify denial of a permanent injunction. Since the Federal Circuit did not find exceptional circumstances, it ruled that the district court had not abused its discretion in declining to enhance damages or award fees.

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Court Orders New Trial as Sanction for Litigation Fraud

Christopher W. Day

[Judges: Dyk (author), Archer, and Rader]

In *Schreiber Foods, Inc. v. Beatrice Cheese, Inc.*, No. 04-1279 (Fed. Cir. Mar. 22, 2005), the Federal Circuit affirmed a district court's order vacating an earlier judgment of infringement in favor of Schreiber Foods, Inc. ("Schreiber"), reversed a judgment of dismissal under Fed. R. Civ. P. 60(b), and remanded for a new trial.

In January 1997, Schreiber brought suit against Beatrice Cheese, Inc. ("Beatrice"), Kustner Industries, S.A. ("Kustner"), and others for infringement of U.S. Patent No. 5,440,860 ("the '860 patent"). Two months after filing suit, Schreiber assigned all rights and causes of action under the '860 patent to its subsidiary, Schreiber Technologies, Inc. ("Schreiber Technologies"). In turn, Schreiber Technologies gave Schreiber a nonexclusive license to the '860 patent. The assignment was purportedly part of a plan to avoid state income taxes.

In response to discovery requests for documents concerning assignments, Schreiber stated that it was not aware of any such document. Moreover, after U.S. Patent No. 5,701,724 ("the '724 patent") issued to Schreiber, Schreiber amended its complaint to allege that Kustner

infringed the '724 patent. The '724 patent includes a terminal disclaimer that requires it to be co-owned with the '860 patent to be enforceable. Despite this requirement, Schreiber's amended complaint asserted that Schreiber owned and had standing to sue for infringement of the '860 patent. Schreiber also notified the PTO of its assignment of the '860 patent to Schreiber Technologies; however, it did not inform the district court or the parties of the assignment. And, during trial, a Schreiber director, who had been present when Schreiber's board approved the assignment, falsely testified that Schreiber owned the '860 patent.

While Kustner's motion for JMOL was pending, Schreiber's counsel learned of the assignment of the '860 patent. Schreiber's counsel concluded that there was no legal or ethical obligation to disclose the assignment to the court or the parties. Instead, on the advice of counsel, Schreiber reacquired all rights and causes of action under the '860 patent from Schreiber Technologies. After Schreiber reacquired the '860 patent, the district court entered judgment in Schreiber's favor. Kustner was ordered to pay approximately \$15 million in damages, plus costs and postjudgment interest. Kustner then moved to vacate judgment under Fed. R. Civ. P. 60(b) after it learned of the '860 patent's earlier assignment to Schreiber Technologies, and the district court granted Kustner's motion.

On appeal, Schreiber sought reinstatement of the district court's earlier judgment to the extent that the '860 patent is valid, enforceable, and infringed, but waived its claim for monetary damages and waived its claim for infringement of the '724 patent. Schreiber argued that the earlier judgment should stand because Schreiber had removed any tangible prejudice to Kustner caused by the failure to disclose the assignment of the '860 patent.

The Federal Circuit affirmed the district court's decision to vacate the entire judgment, finding that the district court had acted within its discretion in finding that Schreiber and its counsel had committed fraud, misrepresentation, and other misconduct. The Federal Circuit recognized that Schreiber had a duty to promptly correct the record once it became aware that highly material false statements were made in Schreiber's amended complaint, discovery responses, and witness testimony. The Federal Circuit also upheld the district court's finding that Kustner was prejudiced by Schreiber's and its counsel's misconduct because the assignment would have provided Kustner with

strong arguments that the '724 patent was unenforceable and that damages should have been reduced.

The Federal Circuit held that the district court abused its discretion, however, in dismissing the case as being void for lack of standing. The Court recognized that Schreiber's loss of standing to sue over the '860 patent during the litigation was only temporary. Because Schreiber reacquired the '860 patent before the district court entered judgment, the Court found that Schreiber had cured this jurisdictional defect. The Court also rejected Schreiber's argument that its selective waiver of monetary damages removed any tangible prejudice to Kustner, because Schreiber should not be entitled to benefit from the inability to accurately appraise the extent to which the jury relied on the false testimony of Schreiber's witness. Accordingly, the Federal Circuit held that a new trial on all issues, rather than outright dismissal, was an appropriate sanction for Schreiber's litigation misconduct.

Dispute over TNF-BP Protein Continues

Hongsun Yoon

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

In *Israel Bio-Engineering Project v. Amgen Inc.*, No. 04-1153 (Fed. Cir. Mar. 15, 2005), the Federal Circuit addressed two appeals based on the same district court decision. In one appeal, addressing issues of Israeli contract law and Israeli labor and intellectual property law, the Federal Circuit affirmed-in-part and reversed-in-part the district court's decision, and remanded the case back to the district court for further proceedings. In the other appeal, the Federal Circuit reversed the district court's decision denying a motion to intervene filed by Inter-Lab Ltd. and Serono International S.A. (collectively "the Serono parties").

The dispute centered on the interpretation of several agreements that affect ownership of certain patents directed to a protein that is useful in treating rheumatoid arthritis. In September 1981, Inter-Yeda Ltd. ("Inter-Yeda") and Yeda Research and Development Company, Ltd. ("Yeda") entered into a five-year agreement ("1981 contract"). Under that agreement, Inter-Yeda provided financial support to various Yeda

research projects, one of which focused on anticellular factor research. In December 1982, Israel Bio-Engineering Project ("IBEP") and Inter-Yeda entered into two separate five-year agreements, both expiring in December 1987. A first December 1982 agreement called for IBEP to fund Inter-Yeda's financial obligations under its 1981 contract with Yeda ("Sub-R&D Agreement"), including funding the research on anticellular factor research. Under the Sub-R&D Agreement, IBEP gained ownership of any discoveries made as a result of the research funded by IBEP. Also, the Sub-R&D Agreement was to be governed under Israeli law.

A second December 1982 agreement, the Technology Option and Sale Agreement ("TOS Agreement"), granted Inter-Yeda an option to purchase the rights and title to any discoveries owned by IBEP as a result of research conducted under the Sub-R&D Agreement.

In April 1987, researchers affiliated with Inter-Yeda and Yeda discovered a tumor necrosis factor inhibitory protein ("TNF-BP"), which later proved useful in treating rheumatoid arthritis. By that time, the 1981 contract between Inter-Yeda and Yeda had expired, but neither the Sub-R&D Agreement nor the TOS Agreement had yet expired. Asserting that the discovery resulted from anticellular factor research it had funded, IBEP claimed ownership of the discovery. However, ownership was never transferred to IBEP and U.S. Patent No. 5,981,701 ("the '701 patent"), which issued from the discovery, was assigned to Yeda.

The first appeal addressed by the Federal Circuit focused on the alleged infringement of the '701 patent by Defendants Amgen Inc., Immunex Corp., Wyeth, and Wyeth Pharmaceuticals, Inc. In granting Defendants' SJ motion, the district court found that Inter-Yeda and Yeda did not intend to extend their 1981 contract to 1987 and that Yeda was not bound by IBEP's 1982 agreements with Inter-Yeda. Additionally, the district court rejected IBEP's assertion that, under Israeli law, those involved in the TNF-BP discovery were Inter-Yeda employees, and as such, that their discovery became the property of IBEP under the 1982 Sub-R&D Agreement.

IBEP appealed, arguing first that Israeli law harmonized the terms of the 1981 and 1982 contracts as a single transaction because both contracts shared a common purpose. Furthermore, IBEP asserted that the terms of the December 1982 agreements govern. The Federal Circuit dis-

agreed, finding that IBEP had misinterpreted the precedent upon which it had ruled.

Second, IBEP asserted that, when entering into the 1982 agreement, it intended to own any resulting discoveries conducted by either Inter-Yeda or Yeda during the five-year term of those agreements. Finding against IBEP, the Federal Circuit stated that after considering extrinsic evidence of IBEP's intent, which is allowed by Israeli law, IBEP's intentions entering the December 1982 agreements played no role in interpreting the intent of the parties involved in the 1981 agreement because IBEP was not a party to the 1981 agreement. Thus, the Federal Circuit affirmed the district court's grant of SJ.

However, the Federal Circuit did reverse the district court's finding that the researchers responsible for the TNF-BP discovery were not IBEP employees by virtue of the Sub-R&D Agreement and remanded the issue back to the district court. Additionally, the Federal Circuit found that the district court had failed to analyze IBEP's assertion that three other inventors were Inter-Yeda employees at the time of the invention.

The second appeal addressed by the Federal Circuit focused on the district court's denial of the Serono parties' motion to intervene. The lower court found that Yeda, who had successfully intervened as a Defendant in the case, adequately represented their interests. However, the Federal Circuit reversed that finding, concluding that the Serono parties intended to file against IBEP a defense of laches, which is personal to the Serono parties. Also, the Serono parties argued that they, and not Yeda, have an option to purchase the rights to any discoveries resulting from the anticellular factor research at issue in this case under the TOS Agreement. Again, this argument is specific and personal to the Serono parties and cannot be adequately represented by Yeda.

Unadjudicated Counterclaim "Pauses" Appeal

Douglas S. Weinstein

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

In *Pause Technology LLC v. TiVo, Inc.*, No. 04-1263 (Fed. Cir. Mar. 14, 2005), the Federal Circuit dismissed an appeal of a district court's finding of SJ of noninfringement because the Defendant's

invalidity counterclaim remained unadjudicated. The Federal Circuit agreed to reinstate the appeal if the district court entered final judgment on the entire case or granted a Rule 54(b) certification.

In 2001, Pause Technology LLC ("Pause") sued TiVo, Inc. ("TiVo"), alleging that TiVo's digital video recorder technology infringed Pause's U.S. Reissue Patent No. 36,801. Shortly thereafter, TiVo counterclaimed for a DJ of invalidity and noninfringement. The district court granted TiVo's SJ motion of noninfringement with respect to certain newer versions of TiVo's products, then entered judgment for TiVo. Neither the record nor the district court's docket indicated the disposition of TiVo's counterclaims.

In their initial appeal briefs, neither Pause nor TiVo addressed the unresolved counterclaim. The Federal Circuit then issued an order to show cause why the appeal should not be dismissed for lack of jurisdiction and ordered the parties to further brief the jurisdictional issues. Pause argued that the district court docket sheet shows the case as dismissed and that the district court had implicitly dismissed the invalidity counterclaim as moot, so jurisdiction is proper. In contrast, TiVo acknowledged that the counterclaim is still pending and contended that the Federal Circuit lacked jurisdiction.

The Federal Circuit noted that its jurisdiction must be based on a final judgment or a basis for an interlocutory order. The Court observed that parties too frequently are not reviewing the actions of the district courts for finality before lodging appeals. The Federal Circuit did not agree with Pause's argument that there was an implicit dismissal of the invalidity counterclaim and concluded that when fewer than all claims are dismissed, the district court must enter a certification under F.R.C.P. 54(b) that judgment is final.

Despite its frustration, the Court granted Pause's request to seek remedial action in the district court and, thereafter, reinstate the appeal. Notably, Pause would be permitted to reinstate the appeal, without paying an additional fee, if Pause were to appeal from entry of final judgment or certification for appeal under Rule 54(b).

On April 7, 2005, the district court amended the final judgment, dismissing TiVo's counterclaim without prejudice. The next day, Pause filed a notice of appeal of the Amended Final Judgment and moved the Federal Circuit to reinstate the appeal.

Prosecution History Restricts Claim Scope

Dominic P. Ciminello

[Judges: Prost (author), Lourie, and Schall]

In *Sentry Protection Products, Inc. v. Eagle Manufacturing Co.*, No. 04-1392 (Fed. Cir. Mar. 11, 2005), the Federal Circuit affirmed the district court's construction of the claim terms at issue and its SJ ruling of invalidity with respect to claims 10 and 23 of U.S. Patent No. 6,244,781 ("the '781 patent"). The Federal Circuit also vacated the district court's grant of SJ of noninfringement of U.S. Patent No. 6,102,611 ("the '611 patent") and remanded for further proceedings on that patent.

The '781 and the '611 patents disclose barriers used for protecting structural columns and supports from impact damage by a moving vehicle while reducing or preventing damage to the vehicle and its driver. Such barriers may be useful in warehouses or other structures that experience vehicle traffic on a regular basis. The claimed apparatus includes a plurality of impact-protection components configured to fit beside each other in installed positions in which the components define segments of an impact-protection body. Each of the components is a single unitary part having a peripheral side wall with a rear portion configured to mate with the structural support being protected.

The first issue on appeal was whether the meaning of the term "single unitary part," as used in the claims of the '781 patent, includes impact-protection components having multiple parts. The allegedly infringing Eagle Manufacturing Company ("Eagle") device includes multiple components that are secured together and are not separable. The district court construed this term as a component comprised of only one piece.

The Federal Circuit reviewed the prosecution history of the '781 patent and noted that the prior art cited during the prosecution of the '781 patent disclosed an impact-protection component made of multiple parts. The Court found that by amending its claims to include the limitation "single unitary part" and arguing that this amendment distinguished its application from the multi-component impact-protection assembly of the prior art, Sentry gave up coverage of multipart impact-protection components. Accordingly, the Court affirmed the district court's interpretation of the term as meaning that the impact-protection

component is a single part without any additional pieces.

The Court then moved on to determine whether claims 10 and 23 of the '781 patent were invalid in view of U.S. Patent No. 5,497,723 ("Chase"). Chase discloses a boat bumper that protects posts on a dock from impact by boats. The district court interpreted Chase as teaching a cushion having a single unitary part and found that the other components discussed in Chase (a post, a crosspiece, and mounting brackets) are not part of the impact-protection component. The Federal Circuit agreed and affirmed the district court's judgment that these claims were invalid.

The Federal Circuit found that the district court had misapplied the constructive-notice rule with respect to the '611 patent. The Court opined that constructive notice is provided when the patentee consistently marks substantially all of its patented products. The Federal Circuit held that because Sentry produced an affidavit stating that its products were marked, together with documents showing sales in that period, the district court erred by holding that Sentry's marking evidence did not preclude SJ.

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Improper to Impose Numerical Constraint on Claim Term "Substantially"

Cortney S. Alexander

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

In *Playtex Products, Inc. v. Procter & Gamble Co.*, No. 04-1200 (Fed. Cir. Mar. 7, 2005), the Federal Circuit reversed-in-part and affirmed-in-part a district court's granting of Defendant Procter & Gamble Company's ("P&G") motion for SJ dismissing Plaintiff Playtex Products, Inc.'s ("Playtex") claims of infringement of U.S. Patent No. 4,536,178 ("the '178 patent").

The '178 patent is directed to a tampon applicator designed to enhance the user's control over tampon insertion and placement. Claim 1 is directed to a tampon applicator comprising a tubular barrel adapted to house a tampon. Playtex argued that the district court wrongly construed the claim's requirement that a rearward portion of the barrel comprise two diametrically opposed, substantially flattened surfaces.

Playtex argued that the district court had improperly relied on the testimony of P&G's

expert contradicting the intrinsic evidence and had interpreted the term “substantially,” a matter of degree, as having a strict numerical limitation.

The Federal Circuit held that the district court improperly found ambiguity in the substantially flattened-surfaces limitation and improperly relied on extrinsic testimony of P&G’s expert. The Court noted the distinction between a “flat” surface and a surface that is “flattened” relative to another surface. In this case, the reference surface is the barrel and transition section of the applicator body. The Federal Circuit ruled that imposing a strict numerical limitation on the term “substantially” was improper. Further, by limiting the term “substantially” to an industrial standard tolerance for flatness, the district court had effectively read the modifier “substantially” out of the claim.

In the prosecution history, the patentee had distinguished between the substantially flattened surfaces as claimed and the generally cylindrical finger grips of the prior art. Thus, the Federal Circuit remanded the case to the district court for further proceedings to determine whether, literally or under the DOE, the finger grips of the accused device met the properly construed substantially flattened limitation of the ‘178 patent or comprised the generally cylindrical grips of the prior art.

Playtex also appealed the district court’s construction of claim 9, which depends from claim 1 and includes the additional limitation of a “means for limiting the movement of said plunger through said rearward portion of said barrel.” The parties disagreed as to the corresponding structure of the limiting means. Playtex argued that the limiting means were found in the embodiment depicted in a figure of the ‘178 patent showing a curved lip at each end of the plunger operative to prevent the plunger from separating from the barrel. The abstract, however, stated that one manner of limiting movement of the plunger is to provide at least one curled lip integral with the inner end of the plunger, while preferably a second curled lip integral with the outer end of the plunger is also provided.

The Federal Circuit agreed with the district court’s interpretation, which was based on the disclosures from both the abstract and drawings of the ‘178 patent.

Rivets Are Not “Releasable Fasteners”

Roger P. Bonenfant

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

In *V-Formation, Inc. v. Benetton Group SpA*, No. 03-1408 (Fed. Cir. Mar. 15, 2005), the Federal Circuit affirmed the district court’s grant of SJ of noninfringement for U.S. Patent Nos. 5,803,466 (“the ‘466 patent”) and 6,045,143 (“the ‘143 patent”).

V-Formation, Inc. (“V-Formation”) owns both the ‘466 and ‘143 patents, which relate to an in-line roller skate having a frame, comprising a toe plate and a heel plate, attached to the bottom of a boot with a pair of sidewalls “releasably” attached to flanges on the frame. The wheels of the in-line roller skate, in turn, are mounted between the pair of sidewalls. Benetton Group SpA (“Benetton”) manufactures an in-line roller skate having a frame attached to the bottom of a boot and a pair of sidewalls attached to the frame by rivets. V-Formation argued that the rivets attaching Benetton’s frame and sidewalls met the claim requirement for releasable fasteners.

In the district court, Benetton moved for SJ of noninfringement. Construing the term “releasably attaching” as requiring that the fasteners “must permit the sidewalls to be easily removed and replaced,” the district court granted SJ of noninfringement for the ‘466 patent. Further, the district court concluded that the structure of the Benetton skate did not satisfy toe-plate and heel-plate limitations for the frame in the ‘143 patent. As a result, the district court granted SJ in favor of Benetton for the ‘143 patent as well.

On appeal, the Federal Circuit examined the specification of the ‘466 patent for context as to what one of ordinary skill in the art would have understood “releasably attaching” to mean. Quoting portions of the specification stating that the sidewalls must be “easily removed without special tools or skills,” and that an “aspect of the invention is a repair kit for . . . faster or more convenient sidewall replacement,” the Court found that the specification supported the district court’s claim construction. Further, the Federal Circuit examined prior art listed on the face of the ‘466 patent, U.S. Patent No. 5,549,310 (“the Meibock

patent”), as intrinsic evidence and observed that the Meibock patent described its frame as permanently attached through the use of rivets or releasably attached through the use of fasteners, such as screws or bolts. As a result, the Federal Circuit found that the district court had properly concluded that the Meibock patent provided evidence that rivets were permanent fasteners.

Having affirmed the district court’s claim construction, the Federal Circuit affirmed the finding of noninfringement of the ‘466 patent.

With respect to the ‘143 patent, the Federal Circuit did not agree with V-Formation’s contention that the district court’s grant of SJ was improper because the opposing view of the experts raised a genuine issue of material fact. Instead, the Federal Circuit noted that there was no disagreement between the views of the experts concerning the structure of the Benetton skate at issue. Further, the Federal Circuit agreed that the claims of the ‘143 patent did not cover the structure of the Benetton skate, and, therefore, the district court had properly concluded that the Benetton skate did not infringe the ‘143 patent, either literally or under the DOE.

Semiconductor-Process Patents Not Infringed

Charles H. Suh

[Judges: Bryson (author), Newman, and Friedman]

Holding that a claim limitation directed to the evacuation of gases from a reaction space of a semiconductor-manufacturing system does not cover blowing out the gases using an inert gas, the Federal Circuit in *ASM America, Inc. v. Genus, Inc.*, No. 04-1211 (Fed. Cir. Mar. 16, 2005), affirmed the SJ of noninfringement granted in favor of Genus, Inc. (“Genus”).

The two patents-in-suit—U.S. Patent Nos. 6,015,590 (“the ‘590 patent”) and 5,916,365 (“the ‘365 patent”)—are both directed to a particular form of Atomic Layer Deposition (“ALD”). The claims recite a limitation where a previously used reactant gas is “evacuated” from a reaction space. The district court construed this limitation to cover only a vacuum-purge method and not a gas-insertion method of evacuation, and granted

SJ of noninfringement with respect to both patents.

On appeal, the Federal Circuit agreed with the district court’s construction. The Court pointed to ASM America, Inc.’s (“ASM”) own expert, who stated that the evacuation limitation should be read to require the use of a vacuum pump. As further support, the Court noted that the specification, the claim, and the prosecution history all treat the evacuation limitation and the use of inert gas to blow out the reactant gas as two separate steps. For example, ASM argued during prosecution that the use of inert gas to push out the reactant gas allows the use of a less powerful and cheaper vacuum pump than the one disclosed by a prior art reference.

The ‘365 patent also includes a claim that recites evacuating the chamber of gases, and the Court held this limitation to be analogous to the evacuation limitation of the ‘590 patent. Accordingly, the Court also limited the evacuation limitation of the ‘365 patent claim to mean only a vacuum-purge evacuation. ASM argued that the specification supports a broader interpretation because it discusses a previously disclosed process of evacuating excess gas by flowing a purge gas through the reactor between each exposure cycle. The Court was not persuaded, however, because the limitation on its face means only that the gas is removed; the limitation does not recite an insertion of gas.

ASM argued that in the ‘365 patent, “evacuating the chamber of gases” should be read to mean evacuating the chamber of reactant gases and not all of the gases. The Court rejected this argument, however, because the term appears three times in the claim and there is no introduction of a reactant gas prior to the first recitation of the term. Thus, an interpretation of the term to mean the evacuation of only the reactant gases would lead to a nonsensical result. Additionally, the specification repeatedly refers to the evacuation of the chamber of gases using a vacuum pump and distinguishes such an evacuation from the process of purging with an inert gas. The Court also cited statements made by ASM’s Chief Technology Officer, who indicated that the ‘365 patent is limited to evacuation by vacuum pumping, and language from the inventor’s notebook emphasizing the essential requirement for a vacuum chamber, with each step of the process involving an evacuation.

Material Facts Exist Concerning Presence of Claimed Means-Plus-Function Limitation in Accused System

Andrew B. Schwaab

[Judges: Bryson (author), Michel, and Newman]

In *Asyst Technologies, Inc. v. Emtrak, Inc.*, No. 04-1048 (Fed. Cir. Mar. 22, 2005), the Federal Circuit affirmed a SJ of noninfringement of one of two independent claims of U.S. Patent No. 5,097,421 (“the ‘421 patent”), but vacated the district court’s order of SJ with respect to the other claim and remanded for further proceedings.

This is Asyst Technologies, Inc.’s (“Asyst”) second appeal concerning infringement of their ‘421 patent and related U.S. Patent No. 4,974,166 (“the ‘166 patent”). Initially, the district court construed the claims and granted SJ of noninfringement with respect to both parties. Asyst appealed a first time, and the Federal Circuit reversed the SJ of noninfringement and remanded. On remand, the district court again granted SJ of noninfringement as to the ‘421 patent, but dismissed the ‘166 patent pursuant to the parties’ agreement. Asyst appealed the judgment of SJ of noninfringement of the ‘421 patent a second time.

The ‘421 and ‘166 patents are directed to semiconductor wafer-processing systems, wherein groups or lots of wafers are processed in sealed containers known as “pods.” The claims of the ‘421 patent are drawn to systems that include microcomputers that are mounted in each pod and communicate with microcomputers at each work station.

Regarding claim 1, the district court had ruled that the accused system did not satisfy a “second microprocessor means” limitation on two grounds. First, the accused system did not include a local processor that performed the functions recited in connection with the second microprocessor-means limitation. The district court ruled that the claimed function was performed by a centralized server rather than via cell controllers located at each work station. Second, the district court ruled that the relevant processor in the accused system was not “mounted on the respective workstation,” as required by claim 1.

On appeal, the Federal Circuit affirmed SJ of noninfringement of claim 1 based on the claimed “mounted on” requirement. The Court agreed that the ordinary meaning of “mounted on” should apply, and that the ordinary meaning denotes a form of attachment, not simply an electrical connection. Because the accused product does not include a second “mounted” microcomputer, the Court affirmed the SJ of noninfringement.

The dispute regarding claim 2 centered on a claim requirement for a plurality of sensing means. The Federal Circuit clarified its earlier opinion and ruled that any structure that is the same as or equivalent to a communication means and performs a sensing function satisfies the “sensing means” limitation. The Court explained that mere discussion of an exemplary protocol in its earlier opinion did not necessarily make the processor component associated with that protocol part of the requisite “sensing means” structure. Thus, the communication means alone corresponds to the sensing means function because it communicates with the pod and generates a signal responsive thereto. Nonetheless, the Federal Circuit determined that the district court had entered SJ on claim 2 on other grounds and had not considered whether the evidence offered by Asyst as to the “sensing means” limitation after the first remand established an issue of material fact. Accordingly, the Federal Circuit vacated the holding of SJ of infringement with respect to claim 2 for reconsideration of this question.

Court’s Claim Construction Leaves MRI Patent Claims Invalid

Jason E. Stach

[Judges: Bryson (author), Rader, and Friedman]

In *Medrad, Inc. v. MRI Devices Corp.*, No. 04-1134 (Fed. Cir. Mar. 16, 2005), the Federal Circuit affirmed a district court’s claim construction and its grant of SJ of invalidity of all asserted claims.

The claims at issue were directed to a medical MRI machine for forming an image of a “region of interest” in a patient’s body. The claimed apparatus contained two sets of coils arranged in an overlapping pattern, and the coils were pulsed with a current having a phase delay. The claimed

coil system beneficially applied a “substantially uniform first magnetic field” to the “region of interest.”

Medrad, Inc. (“Medrad”) alleged error in the district court’s constructions of the phrases “region of interest” and “substantially uniform first magnetic field.” The district court defined “region of interest” as referring to the portion of the patient’s body being scanned for imaging. According to Medrad, this construction was too broad because it would encompass portions of the patient’s body lying within only one of the two coils. Medrad’s proposed construction required the imaged portion of the patient’s body to at least lie within both coils.

The Federal Circuit rejected Medrad’s construction for several reasons, including that the construction was contrary to the language of the claims, which did not require that the two sets of coils operate together at all times. Also, applying Medrad’s construction to the independent claims would render nonsensical at least those dependent claims that expressly allowed the coils to operate separately.

Medrad’s assertion of error in the district court’s construction of “substantially uniform first magnetic field” was likewise rejected. The district court construed this phrase to mean “substantially uniform to obtain useful MRI images.” Medrad, in contrast, urged a construction requiring a magnetic field “that has largely, but not wholly, the same form throughout.” Medrad’s construction was based on the Federal Circuit’s construction of “substantially uniform” in the dishwashing detergent case, *Ecolab, Inc. v. Envirochem, Inc.*, 264 F.3d 1358 (Fed. Cir. 2001). According to Medrad, *Ecolab* stood for the proposition that functional limitations (e.g., “to obtain useful MRI images”) are inappropriate where the claim limitations are entirely structural.

The Federal Circuit rejected Medrad’s argument on several grounds. First, the persuasiveness of the *Ecolab* decision was greatly undermined because it involved different technology than that claimed. Under these circumstances, the construction of even an identical phrase in the two cases can differ, as the paramount task is to determine how one of ordinary skill in the art at issue would construe the phrase. Second, the Court rejected Medrad’s broad reading of *Ecolab*, which would preclude a court from ever considering how a claimed device functions in construing the

claims. The Court observed that it is entirely proper to consider the functions of an invention in seeking to determine the meaning of particular claim language. Finally, the Court reviewed the record in the case and found that the district court’s construction was supported by expert testimony and the specification of the patent.

After affirming the district court’s claim construction, the Federal Circuit affirmed the district court’s judgment of invalidity based on a published abstract, a conference presentation, and a publicly used MRI coil. Medrad argued that the references were not invalidating because the devices did not produce a substantially uniform magnetic field over the region of interest. The Federal Circuit dismissed this argument as inconsistent with testimony showing that the machines disclosed and contained in the prior art produced useful MRI images. There was also ample evidence to show that the prior art used phase-shifted current pulses—one of the alleged points of novelty in the asserted claims. The Court found that Medrad failed to offer any proof that the prior art did not create a substantially uniform magnetic field over the region of interest.

Court Clarifies Claim Constructions for Hip-Joint Prosthesis Patent

Vince Kovalick

[Judges: Rader (author), Dyk, and Prost]

In *Howmedica Osteonics Corp. v. Tranquil Prospects, Ltd.*, No. 04-1302 (Fed. Cir. Mar. 28, 2005), the Federal Circuit reversed a district court’s finding that certain claims could not be construed and were therefore indefinite and found error with other claim constructions.

Howmedica Osteonics Corporation (“Howmedica”) sought a DJ in the district court that the claims of U.S. Patent Nos. 5,222,985 (“the ‘985 patent”) and 4,636,214 (“the ‘214 patent”) were invalid. Tranquil Prospects, Ltd. (“Tranquil”) counterclaimed for patent infringement. The two patents concern the implantation of an intramedullary prosthesis, which replaces the ball of the hip joint. The patents-in-suit overcame problems of the prior art by introducing methods and an apparatus for insulation of an

intramedullary prosthesis that is substantially the same size and shape of the medullary canal, as defined by the softer cortical bone or cortex.

The district court found the claims of the two patents-in-suit invalid because it found that one of ordinary skill in the art would not understand the meaning of the claim phrase “transverse section dimensions” as it applies to the medullary canal. According to the Federal Circuit, however, the record shows that one of ordinary skill in the art would readily understand from the written description that the “transverse section dimension” calls for a two-dimensional measurement because a one-dimensional linear measurement would defeat the purpose of the invention to enable a snug fit of the prosthesis in the medullary

canal. The Federal Circuit also vacated a portion of the district court’s claim construction precluding stems coated with bone cement, either before or after insertion, from satisfying a “coated stem” 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.

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| 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 |