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month at

# The Federal Circuit

Month at a Glance



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EDITED BY VINCE KOVALICK

## Seeds and Plants Grown from Seeds Are Patentable Subject Matter

*Elizabeth A. Hurley*

**[Judges: Newman (author), Mayer and Lourie]**

In *Pioneer Hi-Bred International, Inc. v. J.E.M. Ag Supply, Inc.*, No. 99-1035 (Fed. Cir. Jan. 19, 2000), on interlocutory appeal of the denial of summary judgment (“SJ”), the Federal Circuit affirmed the district court’s ruling that seeds and plants grown from seeds are patentable subject matter.

Pioneer Hi-Bred International, Inc. (“Pioneer”) sued Defendants for infringement of certain patents directed to plants and seeds for new varieties of hybrid and inbred corn. Defendants, J.E.M. Ag Supply, Inc. (“JEM”), moved for SJ, arguing that seeds and seed-grown plants do not constitute patentable subject matter under 35 U.S.C. § 101.

The district court held that under the Supreme Court’s decision in *Diamond v. Chakrabarty*, 447 U.S. 303, 309 (1980), there is no basis in law for excluding living things such as seeds and plants from the subject matter included in § 101. JEM argued that *Chakrabarty* does not apply to plants, because plants were intended to be excluded from the patent system, as evidenced by the enactment of other statutes that provide protection to plants, such as the Plant Variety Protection Act (“PVPA”), 7 U.S.C. § 2321 *et seq.* The PVPA, which does not include an extensive examination system and is administered by the Department of Agriculture, was enacted in 1970 as a form of protection for new varieties of seed-grown plants.

The district court observed that the Patent & Trademark Office (“PTO”) has been granting patent protection to new and unobvious varieties of seed plants for at least fifteen years, and that the Board of Patent Appeals and Interferences had rejected JEM’s argument that plant-specific acts such as the PVPA are the exclusive forms of protection for plant life covered by those acts. *In re Hibberd*, 227 U.S.P.Q. 443 (Bd. Pat. App. & Int. 1985).

The district court also did not discern any historical basis for the exclusion of seed-grown plants from the scope of § 101. In *Chakrabarty*, the Supreme Court explained that plants had not been previously deemed patentable because they are products of nature, and they could not be described with sufficient precision to satisfy the written description requirement of the patent statute. Now, however, the district court reasoned, plants can be modified by technology so they are not solely products of nature. In addition, impediments to fulfilling the written description requirement have been lessened by the implementation of rules authorizing the deposit of new species in publicly available depositories, as well as advances in botanical understanding and analysis.

On appeal, JEM argued that 35 U.S.C. as a general statute must give way to a specific one, such as the PVPA. The Federal Circuit agreed with the district court, however, that all of the statutes protecting plants could be read in harmony and that the PVPA did not effect an exclusion of new plant varieties from § 101.

The Federal Circuit also agreed with the district court’s observation that any conflict between Title 35 and the PVPA is simply the difference in the rights and obligations imposed by the two statutes, and that more than one statute can apply to a property interest; the fact that laws are of different scope does not invalidate those laws.

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## On-Sale Bar “Dispenses” with Caulk Dispenser Patent

*Brian M. Burn*

**[Judges: Mayer (author), Archer, and Rader]**

In *Vanmoor v. Wal-Mart, Inc.*, No. 99-1190 (Fed. Cir. Jan. 10, 2000), the Federal Circuit affirmed the district court’s summary judgment (“SJ”) of invalidity, finding the asserted patent invalid as having been on sale prior to

the critical date. The Federal Circuit also affirmed the district court's SJ of no trade secret misappropriation by manufacturers of the alleged infringing device, as the Plaintiff, Arthur Vanmoor, had proffered no evidence in support of this allegation.

Vanmoor sued Wal-Mart Stores, Inc.; Builder's Square, Inc.; Home Depot U.S.A., Inc.; and Red Devil, Inc. (collectively "Wal-Mart") for infringement of U.S. Patent No. 5,582,331 ("the '331 patent"). The claimed invention is directed to a cartridge used to dispense caulking compound, comprising a tubular body having a forward end with a dispensing opening and a moveable backwall (commonly known as a plunger) disposed within the tubular body.

Vanmoor initially filed a complaint in district court alleging that Wal-Mart infringed the '331 patent. Wal-Mart denied infringement and interposed an affirmative defense that the '331 patent was invalid and unenforceable. In an amended complaint, Vanmoor asserted a new trade secret misappropriation claim against, as newly added Defendants, two manufacturers of tubes and plungers used in the caulking cartridges, Federal Packaging Corp. and Sonoco Products Co. ("the manufacturers"). The manufacturers denied all material allegations and sought a declaratory judgment of invalidity of the '331 patent.

The district court, in granting Wal-Mart's motion for SJ on the issue of invalidity, concluded that Vanmoor failed to raise a genuine issue of material fact that the allegedly infringing cartridges had not been on sale prior to the critical date of the patent, and that Wal-Mart showed by clear and convincing evidence that they had been on sale prior to the critical date. In addition, the district court granted SJ that the manufacturers had not misappropriated Vanmoor's trade secrets because Vanmoor failed to present anything beyond conclusory allegations to support his claim.

On appeal, Vanmoor argued that SJ of patent invalidity was inappropriate because

Wal-Mart and the manufacturers did not meet their burden of proof that the cartridges that were the subject of the precritical date sales had anticipated the claims of the '331 patent. The Federal Circuit ruled, however, that the burden had been satisfied by Vanmoor's own allegations that the accused cartridges infringed the '331 patent.

Vanmoor additionally argued that the accused cartridges were not ready for patenting because no single piece of evidence presented at trial would enable a patent attorney to draft the '331 patent. The Court stated that this is not the test under *Pfaff v. Wells Electronics, Inc.*, 525 U.S. 55 (1998), in which the Supreme Court held that the ready for patenting "condition may be satisfied in at least two ways: by proof of reduction to practice before the critical date; or by proof that prior to the critical date the inventor had prepared drawings or other descriptions that were sufficiently specific to enable a person skilled in the art to practice the invention." *Id.* at 67. According to the Federal Circuit, the precritical date sales were of completed cartridges made to specifications that had remained unchanged, showing that any invention embodied in the accused cartridges had been reduced to practice before the critical date. Additionally, the Court found that the *Pfaff* test was satisfied because the specification drawings, available prior to the critical date, had been used to produce the infringing cartridges. The Court concluded that, because Wal-Mart and the manufacturers met their burden to prove both the *Pfaff* conditions for application of the on-sale bar, the '331 patent was invalid under 35 U.S.C. § 102.

With regard to the trade secret misappropriation claim, the Federal Circuit agreed with the district court that Vanmoor proffered no evidence in support of his conclusory allegations. Accordingly, there was no genuine issue of material fact for trial, and SJ was properly granted on the trade secret misappropriation claim.

## Attorney Fees Awarded Where No Basis for Suit

Gregory A. Chopskie

**[Judges: Plager (author), Michel, and Bryson]**

In *Automated Business Cos. v. NEC America, Inc.*, No. 99-1316 (Fed. Cir. Jan. 28, 2000), the Federal Circuit affirmed the district court's grant of attorney fees where the accused infringer's grandparent company paid for part of the defense.

Automated Business Companies, Inc. ("ABC") filed a patent infringement suit against NEC America, Inc. ("NEC") for infringement of U.S. Patent No. 4,837,797 ("the '797 patent"), which claims facsimile machines that can differentiate between a voice call and a fax call. The ability to differentiate between voice and fax calls is a critical limitation to the claims of the patent. At a pretrial settlement discussion, NEC had advised ABC that NEC's accused products could not infringe the '797 patent because none of them could differentiate between voice and fax calls. ABC admitted that none of the accused devices could possibly infringe, but argued nevertheless, that the case should continue so that ABC could determine whether other NEC devices infringed the '797 patent.

After granting summary judgment, the district court found the case exceptional because ABC had filed and pursued a baseless lawsuit and therefore granted NEC its attorney fees. NEC submitted to the court invoices for legal services, some of which, however, were addressed to and paid by NEC Corp., NEC's grandparent company which was not a party to the suit.

On appeal, ABC challenged only the amount of the district court's award, arguing that NEC was not entitled to attorney fees paid for by NEC Corp. The Federal Circuit rejected ABC's argument, concluding that NEC was entitled to an award of attorney fees for the total amount it would have paid had it defended against the action on its own.

## Court "Clubs" Section 146 Appellant

Lawrence F. Galvin

**[Judges: Michel (author), Rader, and Gajarsa]**

In *Winner International Royalty Corp. v. Wang*, No. 98-1553 (Fed. Cir. Jan. 27, 2000), the Federal Circuit affirmed a district court judgment overturning a decision of the United States Patent and Trademark Office Board of Patent Appeals and Interferences ("Board") in an interference and holding that selected claims from a patent and a patent application were not obvious.

Winner International Royalty Corp. ("Winner") owns intellectual property related to antitheft devices for automobile steering wheels which prevent theft by blocking the wheel from turning. This property includes U.S. Patent Nos. 4,738,127 ("the '127 patent") and 4,935,047 ("the '047 patent"), and U.S. Patent Application No. 07/478,411 ("the '411 application"). The '127 patent claims a device commercially known as "The Club," which includes a dead-bolt lock mechanism. Commercial embodiments of the later '047 patent use a self-locking ratcheting mechanism.

Ching-Rong Wang ("Wang") manufactures an antitheft device known as "The Gorilla Grip" under U.S. Patent No. 4,887,443 ("the '443 patent").

Jinn Wu ("Wu"), the inventor of both the '047 patent and the '411 application, provoked an interference with the '443 patent. Eventually, the claims of the '047 patent and the '411 application were added to the interference count. During the interference proceeding, Wang conceded the invalidity of his '443 patent, but sought to prove that the '047 patent was unpatentable as obvious in light of four specific prior art references, including the '127 patent and U.S. Patent No. 3,462,982 ("Moore").

After a final hearing, the Board held all affected claims invalid except for two claims of the '047 patent. Wu appealed to the United

States District Court for the District of Columbia under 35 U.S.C. § 146. After a bench trial, during which the district court admitted the record before the Board, heard testimony, and received documentary evidence, the court held that two additional claims of the '047 patent would not have been obvious given the lack of evidence suggesting a motivation to combine the four prior art references.

On appeal, the Federal Circuit considered whether the scope of the evidence admitted by the district court was sufficient to require a complete trial *de novo*, or whether the district court was instead required to give deference to some or all of the Board's findings of fact. The Court concluded that although live testimony before a district court might be the same or similar to testimony before the Board in the form of affidavits and deposition transcripts, a district court should still make *de novo* factual findings, while treating the record before the Board when offered by a party as if it had been produced at the district court.

Regarding the merits, the Federal Circuit determined that the district court had not erred in concluding that there was no motivation to combine the prior art as suggested by the Board. As a result, the Federal Circuit affirmed the district court's judgment.

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## No Need to Corroborate Corroborating Evidence of Inventorship

Linda J. Thayer

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

In *Virginia Electronics & Lighting Corp. v. National Service Industries, Inc.*, No. 99-1226 (Fed. Cir. Jan. 6, 2000) (nonprecedential decision), the Federal Circuit affirmed in part a district court summary judgment ("SJ") ruling that Virginia Electronics & Lighting Corp.

("Velcorp") failed to establish its ability to prove at trial that it had taken the requisite reasonable steps to protect the secrecy of its light emitting diode ("LED") lamp design, but vacated in part and remanded because the district court had erred by holding that Velcorp had not provided sufficient evidence of prior conception of the claimed invention.

In spring 1993, National Service Industries, Inc., d/b/a/ Lithonia Lighting ("Lithonia") was developing LEDs for use as replacement bulbs in exit signs. Lithonia approached Velcorp for assistance while Lithonia continued development efforts on its own. Gregory Stepp, president of Velcorp, had Mori Denshi Sango Co. ("MDS") produce a series of prototype LEDs beginning in June or July 1993. On January 6, 1994, Stepp signed a confidentiality agreement that Velcorp would not disclose or use confidential information received from, but not given to, Lithonia regarding LED lamps.

In an attempt to further clarify their relationship, the parties exchanged subsequent correspondence regarding confidentiality and nondisclosure. In a January 26, 1994, letter to Lithonia, Stepp stated that it was Velcorp's understanding that all information exchanged between the parties prior to the signing of the January 6, 1994, agreement had not been protected and was considered public disclosure. In another confidentiality and nondisclosure agreement signed January 31, 1994, and amended February 2, 1994, Lithonia agreed to control and limit access to information provided by Velcorp; however, the agreement excluded preexisting information exchanged between the parties.

Velcorp provided two more prototype lamps to Lithonia in February 1994. On March 4, 1994, James Johnson, a Lithonia employee, filed a patent application on an LED lamp, which issued on October 31, 1995, as U.S. Patent No. 5,463,280 ("the '280 patent"), assigned to Lithonia. In August 1996, Velcorp filed suit against Lithonia alleging misappropriation of Velcorp's trade secrets under Georgia Trade Secrets Act, O.C.G.A. § 10-1-760 *et seq.*, and alleging that Stepp, not Johnson, was the true and sole inventor of

the LED lamp in the '280 patent. The district court granted Lithonia's motion for SJ on both counts, and Velcorp appealed.

The Federal Circuit affirmed the district court's SJ on the misappropriation of trade secrets count. The Court found that because Velcorp had admitted in writing that information given to Lithonia prior to January 6, 1994, was not protected and was considered public disclosure, and because Velcorp had failed to supply any evidence of efforts to protect the secrecy of its alleged LED lamp design, Velcorp had failed to demonstrate that it could carry its burden of establishing elements essential to its case at trial.

The Federal Circuit vacated the lower court's grant of SJ on the inventorship issue, however. Velcorp had presented Stepp's testimony that he conceived the claimed invention and directed MDS to prepare prototypes, the LED lamp prototypes, a manufacturer's drawing by MDS, prototype shipping receipts from MDS to Velcorp and Velcorp to Lithonia, and testimony of officers at Lithonia that they had seen the Velcorp prototypes at Lithonia prior to the filing date of the '280 patent.

The Court reiterated that, in the SJ context, all reasonable inferences from evidence should be drawn in favor of the nonmoving party, in this case Velcorp, and that the district court had not properly credited Velcorp's evidence. For example, Stepp's testimony conflicted with that of Lithonia's witnesses, which at least raised a genuine issue of material fact. Furthermore, the Court reiterated that, while an inventor's testimony cannot by itself support a claim of invention, the corroboration rule requires only that the testimony be corroborated. It does not require that the corroborating evidence also be corroborated. *Virginia Elec. & Lighting Corp.*, slip op. at 4 (citation omitted). The Court found that Stepp's testimony, together with the rest of Velcorp's supporting evidence, taken as a whole, had created a genuine issue of material fact regarding the identity of the true inventor and therefore vacated the district court's grant of SJ.

## Court Must Construe Claims Before Fact Finder Considers Infringement

*Erika H. Arner*

**[Judges: Smith (author), Mayer, and Rich (heard oral argument)]**

In *Rivera-Davila v. Asset Conservation, Inc.*, No. 98-1075 (Fed. Cir. Jan. 12, 2000) (non-precedential decision), the Federal Circuit affirmed a district court's finding of validity and its evidentiary rulings, but vacated the finding of willful infringement because the district court had failed to construe the claim language before submitting the infringement issue to the jury.

Aureo Rivera-Davila ("Rivera-Davila") sued Asset Conservation, Inc. ("Asset Conservation") along with its officers and sole shareholder for infringement of U.S. Patent No. 3,548,373 ("the '373 patent"), which describes a theft-preventing system for vehicles. Although the district court failed to construe the claims for the jury, the jury found that certain car systems sold by Asset Conservation infringed claim 11 of the '373 patent, that the infringement was willful, and that the sole shareholder of Asset Conservation was personally liable for inducing infringement. The district court awarded treble damages and attorney fees.

The Federal Circuit noted that to find infringement, the district court must construe the claim in question, and then the fact finder must compare the claim to the accused device. Rivera-Davila and Asset Conservation offered different interpretations of the asserted claim, but the district court failed to construe the disputed claim language. The jury found infringement but did not indicate whether the claims were infringed literally or under the doctrine of equivalents. The Federal Circuit ruled that it could not apply the substantial evidence standard of review to the jury's finding of infringement because a deferential standard requires the jury to apply the evidence to

a properly construed claim. Having no way to know what interpretation the jury used in finding infringement, the Federal Circuit vacated the finding of infringement and the related findings of willfulness, damages, and personal liability of the sole shareholder of Asset Conservation, and remanded to the district court for further proceedings.

On the issue of validity, the Federal Circuit affirmed the district court's finding that Asset Conservation did not prove the invalidity of the '373 patent by clear and convincing evidence.

Affirming the district court's evidentiary rulings, the Federal Circuit noted that when reviewing evidentiary rulings that raise procedural issues not unique to patent law, the Court applies the law of the regional circuit where appeals from the district court would normally lie. Applying First Circuit law, the Federal Circuit affirmed the district court's ruling that a summary of sales data offered to show the amount of allegedly infringing sales was inadmissible because the underlying documents were not made available during discovery.

The Federal Circuit also affirmed the exclusion of a letter on the issue of willfulness as being more prejudicial than probative because it was obtained by Asset Conservation after litigation had begun even though Asset Conservation had prior notice of the patent.

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## Prosecution History Estoppel Limits "Stretch" of Waistband Patent

Robert A. Pollock

**[Judges: Plager, Lourie, and Clevenger (per curiam)]**

In *NFA Corp. v. Asheboro Elastics Corp.*, No. 98-1579 (Fed. Cir. Jan. 5, 2000) (nonprecedential decision), the Federal Circuit affirmed the district court's (1) entry of a jury verdict of non-

infringement; (2) denial of NFA Corp.'s ("NFA") renewed motion for judgment as a matter of law ("JMOL"); and (3) denial of NFA's motion for a new trial, on grounds that the verdict was based on substantial evidence and any errors made by the court were harmless.

NFA is the owner of reissued U.S. Patent No. 33,586 ("the '586 patent") which provides a method of manufacturing elastic waistbands having an intermeshed pull cord. The only claim at issue, claim 5, recites in relevant part, a method of constructing a band comprising

an elongated web of material elastic in as [*sic*] longitudinal direction by interconnecting elastic threads having an orientation in said longitudinal direction;

*intermeshing* with a portion of said web in said longitudinal direction a pull cord . . . .

(Emphasis added.)

Asheboro Elastics Corp. ("Asheboro") markets a waistband in which a pull cord is sewn, by means of cover threads, onto the outside of an elastic web. The parties disputed whether Asheboro's sewing technique reads on the "intermeshing" step of claim 5.

The district court's instructions to the jury defined "intermeshing" to mean that the pull cord can be embedded within the web or can be entrenched, implanted, or grafted on the web by means of cover threads either sewn or knitted to the web. The jury returned a special verdict finding that Asheboro's processes do not infringe the '586 patent, either literally or under the doctrine of equivalents. Thereafter, NFA renewed its motion for JMOL and moved for a new trial on the ground that the court's jury instructions were erroneous and prejudicial. Both motions were denied.

On appeal, a jury verdict will only be upset if the record lacks substantial evidence to support the verdict, whereas a district court's decision on a JMOL motion is reviewed *de novo*. Because either analysis demands a correct claim interpretation, the Federal Circuit first under-

took a *de novo* review of the district court's claim interpretation.

The Court reasoned that "intermeshed" required the pull cord to be intermeshed with at least some of the interconnecting threads forming the elastic web. NFA had argued that the term "intermeshing" was broad enough to cover Asheboro's technique of sewing the pull cord to the web because cover threads themselves became a portion of the web. Under this interpretation, Asheboro's pull cord would be intermeshed with a portion of the web as recited in claim 5. Finding NFA's interpretation contrary to the ordinary meaning of the word, the Court pointed out that although the '586 specification provided several examples of intermeshing, none of these included sewing. Indeed, the patents reference to sewing equated it to "affixing." The '586 prosecution history also indicated that "intermeshing" was not broad enough to cover sewing. Specifically, in overcoming a prior art reference, the Applicant had distinguished prior art where a braid was not disposed adjoining elastic threads, but was spaced above the elastic threads.

Accordingly, the Court found that the pull cord must be disposed between the longitudinal threads of the elastic web. In contrast, Asheboro's processes, resulting in a pull cord affixed above the web, could not literally infringe. Moreover, because the '586 prosecu-

tion history amended and construed the claim to avoid prior art disclosing a cord affixed above the web, NFA was estopped from redefining the claim to cover that which would encompass the prior art. Thus, the Court refused to upset the jury's findings of noninfringement.

The Court then applied the abuse of discretion standard to the district court's denial of a motion for a new trial and determined that no error was so grievous as to have rendered the trial unfair. NFA argued that it was prejudicial error to instruct the jury that it could consider Asheboro's intent and efforts to design around the '586 patent. The Court agreed that such instruction was erroneous, insofar as it implied that evidence of designing around creates an inference that the accused processes have "substantial differences." Nevertheless, the instruction was harmless in light of the ample evidence supporting the jury's findings.

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