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# The Federal Circuit



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EDITED BY VINCE KOVALICK

## RES JUDICATA BARS FEDERAL COURT COUNTER-CLAIM

Proper application of res judicata requires proof of: (1) prior final judgment on merits by court of competent jurisdiction; (2) identity of parties or those in privity with parties; and (3) subsequent action based on the same claims as were raised, or could have been raised, in prior action. *United Tech. Corp. v. Chromalloy Gas Turbine Corp.*, No. 98-1577 (Fed. Cir. Aug. 25, 1999) . . . . .1

## NONINFRINGEMENT ALTERNATIVES MUST BE "AVAILABLE" DURING ACCOUNTING PERIOD

Only by comparing patented invention to its next best available alternative(s)—regardless of whether alternatives were actually produced and sold during the infringement.—can court discern market value of patent owner's exclusive right, and therefore its expected profit. *Grain Processing Corp. v. American Maize-Prods., Co.*, No. 98-1081 (Fed. Cir. Aug. 4, 1999) . . . . .2

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## Res Judicata Bars Federal Court Counterclaim

Lawrence F. Galvin

[Judges: Gajarsa (author), Schall, and Cudahy (sitting by designation)]

In *United Technologies Corp. v. Chromalloy Gas Turbine Corp.*, No. 98-1577 (Fed. Cir. Aug. 25, 1999), the Federal Circuit reversed a district court's denial of a motion for partial summary judgment ("SJ") to bar a defendant's counterclaim for breach of contract and vacated the district court's grant of specific performance grounded on that same counterclaim. The Court based its decision on the district court's failure to apply the doctrine of res judicata ("RJ") following a state law antitrust action adjudicated in a different state.

United Technologies Corporation ("United") manufactures jet aircraft gas-turbine engines through its Pratt & Whitney ("Pratt") aircraft division. Many of these Pratt engines power commercial airliners. United owns and licenses proprietary technology, including patented processes, for repairing certain components of these engines.

In 1985, United and Chromalloy Gas Turbine Corporation ("Chromalloy") entered into an agreement ("the Repair Agreement"). Under the Repair Agreement, United would license some of its proprietary technology to Chromalloy and assist Chromalloy in meeting Federal Aviation Administration regulatory requirements for engine repair. In exchange, Chromalloy owed royalties to United for each repair using the proprietary technology. Over time, United and Chromalloy mutually had agreed to expand the proprietary technology included under the Repair Agreement to encompass various newly developed engines and repair processes.

In 1992, the federal government began to investigate Chromalloy regarding alleged defective engine repair, including repair of Pratt engines covered by the Repair Agreement. In 1995, a United royalty audit disclosed alleged underpayment of royalties and unauthorized uses of proprietary technology by Chromalloy. As a result, United filed suit against Chromalloy in the United States District Court for the District of Delaware, alleging patent infringement and breach of contract. In lieu of an antitrust counterclaim in Delaware, Chromalloy filed an antitrust action in Texas state court, seeking

both damages and injunctive relief. The Texas court denied United's motion to stay the Texas case in favor of the Delaware case, so both cases proceeded simultaneously. However, the Texas court granted a motion in limine by United to prevent Chromalloy from arguing any breach of contract claims in the Texas case. The jury in the Texas case found that United had attempted to engage in monopolistic conduct, but returned a zero damages award.

In the Delaware case, Chromalloy filed various counterclaims, including a third counterclaim for breach of contract. Chromalloy sought declaratory relief and specific performance under the Repair Agreement and mandatory licensing of new technology. Following judgment in the Texas case, United moved for partial SJ in the Delaware case under RJ. United's motion attempted to bar Chromalloy's third counterclaim to the extent it sought relief for repairs that had been or could have been litigated in the Texas case. The Delaware court denied United's motion, finding that the claims and relief sought differed in the two cases. Following a bench trial on the issues contained in the third counterclaim, the Delaware court found that United had breached the Repair Agreement. As a result, the court granted Chromalloy's request for specific performance. United appealed both the denial of its RJ motion and the Delaware court's final judgment.

On appeal, the Federal Circuit applied Texas law to the RJ issue, as required by the "full faith and credit" statute. Under Texas's transactional approach, RJ prevents the relitigation of a claim or cause of action that has been fully adjudicated or that should have been litigated in a prior suit. United argued that RJ applied regardless of any differences in the legal theories presented or relief requested because the factual basis of a claim controls whether RJ bars that claim. United contended that in both cases Chromalloy had actually litigated the same facts and had even sought the same relief, but under two different names.

The Federal Circuit initially observed that United had properly appealed the denial of its SJ motion because the motion involved a purely legal question and the factual disputes resolved in the Delaware case had not affected the resolution of that legal question. The Court then determined that United had preserved its RJ defense. The Federal Circuit also rejected Chromalloy's waiver argument because, at an earlier Delaware case hearing, both parties had declared their intent to

use RJ depending on the outcome of the Texas case. Thus, based upon the Texas case's prior final judgment on the merits and its identity of parties with the Delaware case, the only remaining question was whether Chromalloy's third counterclaim in the Delaware case had or could have been raised in the Texas case.

Applying Texas's transactional approach, the Federal Circuit found sufficient factual overlap between the Texas case and the third counterclaim in the Delaware case to apply RJ. In particular, both cases presented evidence regarding the propriety of United's actions, the scope of the Repair Agreement, and the validity and coerciveness of United's agreements with other repair facilities. Additionally, the Court found unpersuasive Chromalloy's argument asserting that the two cases involved different transactions demonstrating limited overlap, because United's actions at issue in both cases had been substantially of the same sort and similarly motivated. Finally, the Federal Circuit found little difference between Chromalloy's request for a Texas "injunction" and its demand for Delaware "specific performance." Both effectively required a mandatory licensing agreement.

Because Chromalloy had sought very similar relief in both cases based on the same or similar conduct, the Federal Circuit reversed the Delaware court's denial of United's motion for partial SJ barring Chromalloy's third counterclaim and vacated the Delaware court's grant of specific performance grounded on that same counterclaim.

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## Noninfringing Alternatives Must Be Available During Accounting Period

*John R. Alison*

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

In *Grain Processing Corp. v. American Maize-Products, Co.*, No. 98-1081 (Fed. Cir. Aug. 4, 1999), the Federal Circuit affirmed a judgment by the Northern District of Illinois refusing to award lost profits in light of evidence of noninfringing alternatives.

Grain Processing Corp.'s ("Grain Processing") U.S. Patent No. 3,849,194 ("the '194 patent") claims a waxy starch hydrolysate having a "dextrose equivalent," or "D.E.," of between five and twenty-five having certain physical properties. After

American Maize-Products, Co.'s ("American Maize") maltodextrin product had been found to infringe in 1988, American Maize switched to an alternative process using the enzyme alpha amylase (identified in the opinion as "Process III"). When Process III also had been found to infringe in 1991, American Maize quickly adopted a fourth process (identified in the opinion as "Process IV"), which involved adding a second enzyme, glucoamylase, to Process III.

Specifically, the trial court found that it had taken American Maize only two weeks to perfect Process IV and begin mass producing maltodextrin using Process IV—a development period that the trial court considered "practically instantaneous" for large-scale production. For Process IV, American Maize did not need to change any equipment, source starches, or other ingredients from Process III. The trial court further found that American Maize had not used Process IV to produce maltodextrin earlier due to the relatively higher cost of the glucoamylase used in that process.

Glucoamylase was available and known throughout the infringement period. Consumers discerned no difference between the noninfringing products made by Process IV and infringing product made by Processes I-III.

At the first damages trial, Grain Processing claimed lost profits in the form of lost sales of its maltodextrin product, price erosion, and American Maize's accelerated market entry after the patent had expired. Grain Processing further claimed that, for any of American Maize's infringing sales not covered by a lost profits award, Grain Processing should receive a twenty-eight percent royalty. However, after a three-day bench trial, the trial court denied lost profits and determined that a three percent reasonable royalty was adequate to compensate Grain Processing. Moreover, that royalty applied from 1981 (the date when Grain Processing had filed suit) until the expiration of Grain Processing's '194 patent in 1991—even though American Maize did not actually develop, produce, or sell its noninfringing Product IV substitute until April 1991, seven months before the '194 patent had expired.

On appeal, the Federal Circuit initially reversed the trial court's damages decision, ruling that the mere fact of switching to a noninfringing product years after the period of infringement did not establish the presence of a noninfringing substitute during the infringement period. On remand, however, the trial court amplified its original decision and again denied Grain Processing's demand for lost profits, holding that Process IV had been "available" throughout the infringement period. Grain

Processing again appealed, arguing that nothing in the record established that Process IV had been available from 1981 until its actual development in early 1991. This time, however, the Federal Circuit agreed with the trial court, observing that a substitute that was “not on the market” or “for sale” during the infringement nonetheless may figure prominently in determining whether a patentee would have made additional profits “but for” the infringement.

The Federal Circuit observed that the process of reconstructing the “but for” market required the patent owner to project economic results that did not occur because of the infringement. To this end, the patent owner was permitted to present market reconstruction theories showing all of the ways in which they would have been better off in the “but for” world. By the same token, the Court reasoned that a fair and accurate reconstruction of the “but for” market also must take into account, where relevant, alternative actions the infringer foreseeably would have undertaken, had it not infringed.

Without the infringing product, a rational, would-be infringer would be likely to offer an acceptable noninfringing alternative, if available, to compete with the patent owner rather than leave the market altogether. The Court concluded that “only by comparing the patented invention to its next best available alternative(s) regardless of whether the alternative(s) were actually produced and sold during the infringement [could] the court discern the market value of the patent owner’s exclusive right, and therefore his expected profit or reward, had the infringer’s activities not prevented him from taking full economic advantage of this right.” *Grain Processing*, slip op. at 17.

With regard to the trial court’s key finding that Process IV was “available” during the entire infringement period, *i.e.*, 1981-91, the Federal Circuit observed that the critical time period for determining availability of an alternative is the infringement period for which the patent owner claims damages, *i.e.*, the “accounting period.” Thus, evidence of switching to a noninfringing substitute after the accounting period does not alone show availability of the noninfringing substitute during this critical time. Here, however, the trial court did not base its finding that Process IV was available no later than October 1979 on speculation or possibilities, but on several specific, concrete factual findings.

In particular, the trial court found: (1) that American Maize could readily have obtained all of the materials needed for Process IV, including the glucoamylase enzyme, before 1979; (2) the effects

of the enzymes in starch hydrolysis were well known in the field at that time; (3) American Maize had all of the necessary equipment, know-how, and experience to use the noninfringing product, whenever it chose to do so during the time it was instead using infringing processes; (4) American Maize thus did not have to “invent around” the patent, rather all it had to do was use a more expensive glucoamylase enzyme in its production process; and (5) the sole reason American Maize had not used Process IV prior to 1991 was economic, *i.e.*, because glucoamylase was more expensive and because American Maize reasonably had believed that Process III produced a noninfringing product.

In addition, the Court also considered whether and to what extent American Maize’s alleged alternative was “acceptable” as a substitute. Although the parties on appeal vigorously disputed the precise scope of the relevant market, the trial court found that both products in the eyes of consumers were the same and available for the same price from the same supplier. Here, American Maize’s sales records (supported by witness testimony) showed no significant changes when it had introduced its Process IV product at the same price as previous versions, indicating that consumers considered its important properties to be effectively identical to previous versions.

Thus having been shown no clear error in the trial court’s findings that the noninfringing Process IV had been both “available” and “acceptable” to consumers, the Federal Circuit affirmed the trial court’s denial of lost profits.

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## “Faux” Products Can Justify “Real” Patents

*Rouget F. Henschel*

**[Judges: Bryson (author), Rich, and Schall]**

In *Juicy Whip, Inc. v. Orange Bang, Inc.*, No. 98-1379 (Fed. Cir. Aug. 6, 1999), the Federal Circuit reversed a district court’s holding that a patent to a product designed to deceive the public by imitating another product to increase product sales is invalid for lack of utility.

Juicy Whip, Inc. (“Juicy Whip”) had sued Orange Bang, Inc. and Unique Beverage Dispensers, Inc. (collectively “Orange Bang”) in the U.S. District Court for the Central District of California, alleging

infringement of U.S. Patent No. 5,575,405 (“the ‘405 patent”). The district court had granted Orange Bang’s motion for summary judgment of invalidity of the ‘405 patent, holding that the invention was invalid under 35 U.S.C. § 101 as lacking utility.

The ‘405 patent claimed a postmix beverage dispenser that simulated the appearance of a premix beverage dispenser. Postmix beverage dispensers provide for separate sources of syrup concentrate and water, which are combined and mixed on demand to yield the beverage. Premix beverage dispensers contain a premixed beverage in a display bowl, from which the beverage is directly dispensed without combining or mixing ingredients. The display bowl promotes impulse buying, but has limited capacity and is subject to bacterial contamination.

The postmix dispenser of the ‘405 patent includes a display bowl that only appears to be the source of the dispensed beverage but actually has no fluid connection with the outlet. The display bowl contains a fluid that appears identical to the dispensed beverage but is resistant to bacterial contamination. The postmix dispenser of the ‘405 patent thus provides the advantage of a premix dispenser—promotion of impulse buying—while avoiding the disadvantages of contamination and limited capacity.

In holding the ‘405 patent invalid for lack of utility, the district court had relied on two Second Circuit cases. In the first case, *Rickard v. Du Bon*, 103 F. 868 (2d Cir. 1900), the court had held invalid a patent drawn to a process for spotting tobacco leaves to fool consumers who believed such spotting to be a sign of quality. In the second case, *Scott & Williams, Inc. v. Aristo Hosiery Co.*, 7 F. 2d 1003 (2d Cir. 1925), the court had held invalid a patent drawn to a seamless stocking having a structure that simulated a seam. Following these two cases, the district court had held that the invention of the ‘405 patent lacked utility because of its deceptive purpose of increasing sales by imitating another product.

In reversing the district court’s decision, the Federal Circuit rejected the precedent relied on by the district court, stating that these cases do not reflect the utility requirement under the Patent Act of 1952. The Federal Circuit ruled that the utility requirement is met if a product can be modified to imitate another product, because that capability is a specific benefit sufficient to meet the utility requirement. To support this ruling, the Federal Circuit identified such products as cubic zirconium, imitation gold leaf, synthetic fabrics, and imitation leather. The Federal Circuit also referred to three recent U.S. patents on products designed to imitate

another product: a patent to a method for producing imitation grill marks on food, a patent to laminated flooring that imitates wood, and a patent to imitation hamburger.

The Federal Circuit further noted that even if the invention of the ‘405 patent had involved deception, the utility requirement does not direct the U.S. Patent and Trademark Office or the courts to decide issues of deceptive trade practices. That task is assigned to other agencies, *e.g.*, the Federal Trade Commission and the Food and Drug Administration. The Federal Circuit noted that while Congress could declare deceptive inventions unpatentable, it has not yet done so, and § 101 does not support a holding that an invention has no utility simply because the invention may deceive some members of the public.

## Objections to Jury Form Must Be Made Before Jury Is Discharged

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*Michael L. Kiklis*

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

In *Mitsubishi Electric Corp. v. Ampex Corp.*, No. 97-1502 (Fed. Cir. Aug. 30, 1999), the Federal Circuit affirmed a jury verdict that U.S. Patent No. 4,336,612 (“the ‘612 patent”) and U.S. Patent No. 4,665,533 (“the ‘533 patent”), both assigned to Mitsubishi, were invalid. The Federal Circuit found no error in the jury instructions and found that the jury’s verdict was supported by substantial evidence.

The ‘612 patent is directed to a system for correcting errors that occur during the transmission, recording, or reproduction of digital information. This error-correction system arranges the digital information into a two-dimensional array and encodes the information such that when the information is decoded, errors can be detected and corrected.

In reviewing the jury verdict form, the Federal Circuit noted that the jury had not been asked to distinguish among the three principal grounds of invalidity that had been argued at trial, including an invalidating public use. Mitsubishi argued that if any one of these three grounds had not been considered by the jury, the verdict must be vacated and a new trial granted because it would not be possible for the appellate court to have known whether the verdict had been based on the erroneous ground.

Ampex argued that Mitsubishi had waived any objection when it submitted a revised form that combined these grounds into a single question of invalidity. The Federal Circuit agreed that Mitsubishi had waived its objection as to the form of the verdict form, pointing out that Mitsubishi had only argued for special interrogatories for each claim, but had not pressed the argument for separate theories of invalidity.

The Federal Circuit then reviewed whether there was substantial evidence to support the jury verdict. In so doing, the Federal Circuit reviewed documentary evidence and concluded that the documentary evidence could support a finding that the claimed invention had been in public use more than one year before the filing date of the patent.

The '533 patent describes a method of improving the transmission of digital data by placing synchronizing codes into a stream of data. When transmitting digital data, a segment of the data can be represented as a matrix of rows and columns where the matrix constitutes a block. This block comprises multiple frames where each frame is equated to one row of the matrix. Prior art systems transmitted such data as a stream of frames, with a number of the frames forming an individual block, and placed synchronization codes before each frame and before each block to indicate where a frame or block began or ended. Thus, two codes were needed to indicate the point in a data stream where both a new frame and a new block began. The '533 patent uses one code for the start of a frame that also begins a new block and a second code for the start of a frame that does not begin with a new block. As a result, the '533 patent does not require the insertion of two codes.

The Federal Circuit reviewed the jury's verdict on the '533 patent in a similar manner to that of the '612 patent, and again found, for the same reasons it had stated with respect to the '612 patent, that any argument regarding the verdict form had been waived.

The Federal Circuit also reviewed sufficiency of the evidence supporting the verdict and noted that expert testimony had showed that all of the elements of the contested claim, except for one, appeared in a single reference by Willard ("Willard II"). This missing element could be found in either of two additional references: another article by Willard that predated Willard II ("Willard I") or an article by Goode and Phillips ("the G&P article"). Mitsubishi argued that the Willard II article could not be combined with the Willard I article because the Willard I article had stated that use of the missing element was "never the answer." *Mitsubishi*, slip op. at 22. Mitsubishi thus argued that this article taught away from a combination with the Willard II article.

The Federal Circuit, however, concluded that a reasonable jury could have found that the teachings

of Willard II superseded the broadly stated negative teachings of Willard I. Furthermore, the Federal Circuit found that according to the documentary evidence, a reasonable jury could have concluded that the G&P article could have taught one of ordinary skill to include the missing element.

In conclusion, the Federal Circuit found that the suggestion to combine the subject matter of the Willard II article with the missing element could reasonably have been found in either the Willard II article or the G&P article, thus rendering the claimed invention obvious.

## "Novelty Shirt" Remains "Novel" on Summary Judgment

Michael B. Eisenberg

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

In *Oney v. Ratliff*, No. 98-1591 (Aug. 12, 1999), the Federal Circuit reversed a district court's summary judgment ("SJ") holding of invalidity, finding multiple issues of fact in dispute.

Dale Oney ("Oney") owns U.S. Patent No. 4,999,848 ("the '848 patent") entitled "Novelty Shirt," which claims priority from a Canadian patent filed September 22, 1989. The claimed novelty garment includes a horizontal, freely hanging piece of material for displaying first information when the flap is open and second information, sequel to the first information, when the flap is closed.

On August 23, 1995, Oney filed a patent infringement suit against Darrell Ratliff ("Ratliff") for the sale of shirts having a flap that when open displays an animal with an open mouth and when closed displays it with its mouth closed. The district court granted Ratliff's motion for SJ based on evidence of prior use contained in affidavits from Ratliff's sample maker and silk screen printer, and an independent recollection of purchases prior to the critical date by another witness.

Oney argued that under *Woodland Trust v. Flowertree Nursery, Inc.*, 148 F. 3d 1368 (Fed. Cir. 1998), the evidence presented by Ratliff's close associates was uncorroborated and insufficient for clear and convincing evidence. The district court had refused to apply this standard, concluding that Oney failed to produce significantly probative countervailing evidence. Oney further argued that if the evidence were insufficient to meet the burden of proof, not only was SJ improper, but SJ should have been entered in his favor.

According to the Federal Circuit, SJ "is inappropriate if a trier of fact applying the clear and con-

vincing evidence standard could find for either party.” *Oney*, slip op. at 5. Citing the fact that the evidence of prior use had been controverted by other evidence presented by Ratliff, the Court held that SJ in favor of Ratliff was improper. The Court further found that *Oney* had not sufficiently proven that the evidence of prior use was uncorroborated, oral testimony of close associates of Ratliff’s as required under *Woodland Trust*. The Court, therefore, held that SJ for *Oney* would also be improper. Thus, it remanded the case to the district court for trial.

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## Court “Sees Through” Noninfringement of Lens Patent

*Yitai Hu*

**[Judges: Plager (author), Friedman, and Lourie (dissenting)]**

In *SunTiger, Inc. v. Scientific Research Funding Corp.*, No. 98-1333 (Fed. Cir. Aug. 19, 1999), the Federal Circuit reversed a district court’s grant of summary judgment (“SJ”) of noninfringement, concluding that at least part of the accused lens product met the claim limitations. The Court also affirmed the district court’s denial of SJ of invalidity and rejected the argument that SunTiger was collaterally estopped from bringing this appeal.

SunTiger, Inc. (“SunTiger”) owns U.S. Patent No. 4,952,046 (“the ‘046 patent”) directed to an optical lens for sunglasses that screens out certain wavelengths of visible light that may be harmful to human eyes after extended exposure. This lens incorporates an orange-colored, sharp cut-on dye that blocks out the potentially harmful blue light while allowing other colors of light to be transmitted.

The claim language in dispute concerned the transmission properties of the lens with the dye. SunTiger argued that the specific transmission characteristics should be those of the dye. The Defendants (collectively “BluBlocker”) countered that the claim requires the characteristics for the lens, not the dye. The district court agreed with BluBlocker. The Federal Circuit affirmed this ruling.

Although the Federal Circuit agreed with the district court’s claim construction, it held that the district court had erred in finding that no genuine issue of material fact existed regarding infringe-

ment. The accused BluBlocker lens incorporates an orange-colored, sharp cut-on dye that has the same transmission characteristics as those recited in claim 1. The accused lens, however, incorporates an additional gray gradient surface coating that reduces the amount of visible light transmitted by the lens. The gray coating is darkest at the top and becomes progressively lighter toward the bottom of the lens. SunTiger submitted evidence that the “right bottom” of the accused lens has transmission properties within the claim limitations.

The Federal Circuit explained that it has never required that a claim read on the entirety of an accused device for the device to infringe that claim. The Court also explained that although in certain instances an addition of elements may avoid infringement, such as a claim that requires a specific number of elements, the claim at issue is not specific as to the number of elements. In addition, the Court found that a genuine dispute of material fact concerning certain evidence, rendering a grant of SJ improper.

BluBlocker also argued that the district court had erred in denying its motion for SJ of invalidity because of the on-sale bar under 35 U.S.C. § 102(b). SunTiger and BluBlocker did not dispute that a sale had occurred or when the sale had occurred, but the parties disputed whether the ‘046 patent was entitled to the filing date of its parent application. Each party submitted affidavits from its experts to support its position and the district court found that there was “an old-fashioned factual dispute” and denied BluBlocker’s motion. Holding that the district court had not abused its discretion in denying the motion for SJ, the Federal Circuit affirmed.

Judge Lourie dissented, arguing that the ‘046 patent was “plainly invalid” under the on-sale bar because the patent was not entitled to the filing date of its parent application.

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## Disclosure Supports Broader Claim Construction

*Michael T. Siekman*

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

In *Princeton Biochemicals, Inc. v. Beckman Instruments, Inc.*, No. 98-1525 (Fed. Cir. Aug. 19, 1999), the Federal Circuit vacated a decision of the

United States District Court for the District of New Jersey granting Beckman Instruments, Inc.'s ("Beckman") motion for summary judgment ("SJ") of noninfringement of claim 32 of Princeton Biochemicals, Inc.'s ("Princeton") U.S. Patent No. 5,045,172 ("the '172 patent"). In doing so, the Federal Circuit held that the district court had improperly interpreted the prosecution history as limiting an element of claim 32 to only one of two disclosed embodiments.

Claim 32 of the '172 patent is directed to a capillary electrophoresis apparatus comprising "a holder for holding an end of said capillary tube in operative relation to one of said cups." A capillary electrophoresis apparatus is used to separate proteins from fluid samples by application of an electrical charge, and the '172 patent discloses that its capillary electrophoresis apparatus could raise or lower sample cups or tables containing the sample cups.

Despite this disclosure, the district court had construed the claim phrase "in operative relation" to require that the arm that holds the capillary move toward stationary sample cups, not that the sample cups move toward the capillary, stating that the '172 patent consistently described the movement of the capillary to stationary sample cups. The district court had also based this claim construction on the prosecution history in which, in response to a rejection over prior art that the Examiner asserted as teaching a vertically moving capillary, Princeton added two claims that were limited to a vertically moving capillary and canceled claims that recited vertically moving sample cups.

The Federal Circuit agreed with the district court that, although claim 32 itself appeared to encompass both a vertically moving capillary and vertically moveable sample cups, the phrase "in operative relation" required clarification by resort to the written description. However, the Federal Circuit stated that the argument of Beckman and the district court ignored the specification's description of vertically moving sample cups. The Federal Circuit also noted that original claims had been part of the original specification and that original claims 22 and 24 had recited vertically moving sample cups.

Regarding the prosecution history, the Federal Circuit found that the arguments on which the district court and Princeton had relied concerned claims that did not result in claim 32. Moreover, after amending one of the claims that had resulted in patent claim 32 to recite the vertical movement limitation, Princeton returned that claim to its original, unamended form when it filed the continuation-in-part ("CIP") application resulting in the '172

patent. Because Princeton had not made any amendments or arguments that would limit claim 32 to exclude vertically moving sample cups, Princeton's arguments and amendments in the parent application regarding other claims could not limit patent claim 32, which was returned to the unamended form. The Federal Circuit also noted that its refusal to use the arguments in the parent application to limit the scope of the claim in the '172 patent did not depend upon the '172 patent being a CIP application.

Although the Federal Circuit reversed the district court's claim construction, it declined to grant Princeton's motion for SJ of literal infringement because the district court had dismissed Princeton's motion as moot in light of its claim construction. Since the district court had not decided Princeton's motion, it was not before the Federal Circuit. Accordingly, the Federal Circuit remanded the case to the district court to determine the issue of literal infringement in light of the correct claim construction.

## Claim Term "Purified" Gets Definition from Specification

*Anthony C. Tridico*

**[Judges: Clevenger, Skelton, and Gajarsa]**

In *Evans Medical Ltd. v. American Cyanamid Co.*, No. 98-1446 (Fed. Cir. Aug. 9, 1999) (nonprecedential decision), the Federal Circuit affirmed a district court's grant of summary judgment ("SJ") of noninfringement and affirmed the district court's determination that the patents in suit satisfy the best mode requirement of 35 U.S.C. § 112.

In 1984, Paul Novotny filed a U.S. patent application from which issued the three asserted patents in the appeal—U.S. Patent Nos. 5,237,052 ("the '052 patent"); 5,438,120 ("the '120 patent"); and 5,648,080 ("the '080 patent"), all assigned to Evans Medical Ltd. ("Evans Medical"). The '052 patent and the '120 patent are both directed to a particular purified protein, or "antigen," derived from the whooping cough-causing bacterium, *Bordetella pertussis* ("*B. pertussis*"). The '080 patent is directed to a vaccine comprising the proteinaceous material of the '052 and '120 patents, *i.e.*, the *B. pertussis* antigen described therein. The antigen, which is useful as an acellular vaccine against whooping cough, was initially iden-



tified by binding to a specific monoclonal antibody called "BB05."

Since 1986, Takeda Chemical Industries, Ltd., has been producing and marketing an acellular *B. pertussis* vaccine containing a small amount, approximately four percent, of a 69kD antigen. In May 1996, Evans Medical, Ltd.; Medeva PLC; SmithKline Beecham Biologicals S.A.; SmithKline Beecham Biologicals Manufacturing S.A.; and SmithKline Beecham Corporation (collectively "Plaintiffs") sued American Cyanamid Company; Takeda Chemical Industries, Ltd.; and American Home Products Corporation (collectively "Defendants") for infringement of the three Novotny patents.

On cross-motions for SJ, the district court had construed the term "purified" recited in the '052 and '120 patent claims as requiring that the claimed *B. pertussis* antigen must be composed of greater than fifty percent 69kD antigen. The district court had further ruled that the '080 patent claims are inherently limited to a "purified" antigen. Based on its claim construction, the district court had granted Defendants' motion for SJ. The district court had also concluded that Novotny's failure to deposit the BB05 monoclonal antibody prior to or upon filing his original application did not run afoul of the best mode requirement.

On appeal, the Federal Circuit agreed with the district court that the proper construction of "purified" in the '051 and '120 patent claims required that the claimed antigen comprise greater than fifty percent of the 69kD antigen. Additionally, statements in the prosecution history regarding the "proteinaceous material" recited in the claims of the '080 patent required that the claimed vaccine formulations contain 69kD antigen isolates that are at least fifty percent pure. Because the Defendants' antigen product contained no more than four percent of the 69kD antigen, the Court found that there had been no literal infringement and no infringement under the doctrine of equivalents.

As to invalidity, the Federal Circuit held that the three asserted patents were not invalid for failure to disclose the best mode. In particular, since production of monoclonal antibodies was within the ordinary skill of the art at the time the application was filed and the biological deposit had been on file and had been referred to in the asserted patents by the time the patents issued, Novotny had satisfied the best mode requirement. The requirement of access to the microorganism during pendency and the requirement of public access to the material after issuance had been met.

## Smoke Reduction Claims Go "Up in Smoke"

*Michele C. Bosch*

**[Judges: Schall (author), Rich (heard oral arguments), and Mayer]**

In *In re Case*, No. 98-1531 (Fed. Cir. Aug. 31, 1999), Paul Case and Alan Stephenson (collectively "Case") appealed a decision on the merits and a decision on a request for rehearing of the Board of Patent Appeals and Interferences ("Board"), in which the Board had affirmed the final rejection of all the claims of U.S. Patent Application No. 07/814,779 ("the '779 application") for obviousness. The Federal Circuit affirmed the Board's decision.

The '779 application is directed to reducing sidestream smoke from smoking articles, such as cigarettes. Sidestream smoke is the smoke that passes through cigarette paper when cigarette is not being smoked, *e.g.*, when resting in an ashtray. The prior art recognizes that sidestream smoke can be reduced by adding fillers, such as magnesium oxide and calcium carbonate, to cigarette paper.

Independent claims 1 and 17 of the '779 application, which are representative of all claims on appeal, recite that the total filler content of a cigarette paper is "about 20% by weight or less," of which "about 4% to about 14%" is magnesium hydroxide or magnesium oxide. The Examiner had rejected the claims as obvious over various combinations of prior art, the primary reference being U.S. Patent No. 4,231,377 to Cline. Case appealed to the Board, which sustained the Examiner's rejections after concluding that the prior art had established the obviousness of the appealed claims and that the evidence of nonobviousness supplied by Case had failed to outweigh the evidence of obviousness.

The Board found that Cline discloses the use of magnesium oxide as the sole filler in the disclosed cigarette paper, with the amount being as little as fifteen percent by weight of the paper. The Board determined that Cline rendered the claims obvious because Case had made no compelling arguments that the difference between "about 14%" and "at least 15%" produces any unexpected results and because the Case specification states that the range of magnesium oxide may be "about 4% to about 18% by weight" of the total weight of the cigarette paper, further indicating that the difference

between Case and Cline at the margins (fourteen to fifteen percent) is inconsequential.

Before the Federal Circuit, the Commissioner of Patent and Trademarks (“Commissioner”) argued that the Board had erred in concluding that Cline teaches using fifteen percent magnesium oxide as the sole filler and that both the plain language of the Cline specification and the examples teach this amount. The Government argued that Case’s “about 14%” claim limitation is reasonably interpreted to overlap Cline’s fifteen percent magnesium oxide because Case’s only clarification on the upper limit of magnesium oxide is “about 18%.” The Government further argued that Case had not shown any appreciable difference between the claimed “about 14%” limitation and the prior art’s fifteen percent teaching. Thus, the Commissioner maintained that, before the Board, the Examiner had made out a prima facie case of obviousness that had not been rebutted.

The Federal Circuit agreed with the Board’s findings as to what Cline teaches. The Court looked at the differences between Cline and Case and concluded that the only significant difference was the respective ranges of the magnesium oxide present in the paper—ranges that the Court found at the very least about one another. Thus, the Court agreed with the Board’s conclusion that a prima facie case of obviousness had been established. The Court further disagreed with Case’s argument that Cline teaches away from the claimed invention, stating that because the ranges of magnesium oxide in Cline and the claimed invention at the very least about one another, some evidence of unexpected results is necessary to show why the claims should be patentable.

Although Case presented some evidence that purported to contain compelling evidence of unexpected results, the Federal Circuit found the evidence flawed because it did not compare the claimed invention to the closest prior art.

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## Patentee Cannot “Connect” on Electrical Contact Limitations

*Rebecca M. McNeill*

**[Judges: Mayer, Skelton, and Newman (per curiam)]**

In *Interlink Electronics v. InControl Solutions, Inc.*, No. 98-1567 (Fed. Cir. Aug. 24, 1999) (nonprecedential decision), the Federal Circuit affirmed a summary judgment of noninfringement, which had been awarded to InControl Solutions, Inc.

(“InControl”) by the U.S. District Court for the Central District of California.

The patent in this case is directed to a switch or transducer that controls cursor movement. The claims require “a first contact; a second contact; [and] at least one semiconducting layer . . . having a surface positioned in normally non-electrically-conducting relationship with at least one of the first and second contacts . . . [with] an external force for causing . . . the semiconductive layer and at least one of the first and second contacts to variably press against one another . . . so that electricity conducts between the first and second contacts.”

The Federal Circuit affirmed the district court’s decision of noninfringement, concluding that the accused device maintains a conductive connection at all times, in contrast to the patent which includes conductors held normally in a nonconductive relationship and needing an external force for causing a connection between the contacts. The Court found this difference substantial enough to avoid infringement literally and under the doctrine of equivalents.

The Federal Circuit also agreed that the case was “exceptional” and that the award of attorney fees was proper because Interlink Electronics had submitted altered reproductions of figure 3 from the patent, so that the circuit in question appeared closed, making it more similar to the accused device.

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## No Jurisdiction over Dispute Arising Out of Government Contract

*Matthew T. Latimer*

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

In *Puerta v. California Institute of Technology Jet Propulsion Laboratory*, No. 99-1282 (Fed. Cir. Aug. 5, 1999) (nonprecedential decision), the Federal Circuit affirmed a district court’s grant of summary judgment (“SJ”) of noninfringement of U.S. Patent Nos. 4,945,408 (“the ‘408 patent”) and 5,081,530 (“the ‘530 patent”), concluding that the district court had properly ruled that it did not have jurisdiction and that the district court had properly denied Plaintiff’s request for further discovery.

Dr. Puerta (“Puerta”) had been employed by the California Institute of Technology (“CalTech”) in the Jet Propulsion Laboratory (“JPL”) until February 13, 1991, as part of contract NAS7-918 between the National Aeronautics and Space Administration

("NASA") and CalTech, whereby NASA provided CalTech funding for research on a "RangeFinder Project." Under the contract, Puerta was to be the principal investigator. The contract was later amended, but Puerta was no longer needed as principal investigator.

Puerta filed suit for infringement of the '408 and '530 patents, on which he is a named inventor. Both patents are directed to a three-dimensional camera and laser range finder. The suit was filed in district court under 28 U.S.C. § 1338(a) (1994), which gives district courts exclusive original jurisdiction over patent infringement cases. Defendants moved for SJ, asserting that the district court lacked jurisdiction under 28 U.S.C. § 1498(a), and Puerta moved for further discovery under Federal Rule of Civil Procedure 56(f). The district court granted SJ and did not rule on Puerta's request in view of its finding of lack of jurisdiction.

The Federal Circuit upheld the district court's finding of SJ, stating that while 28 U.S.C. § 1338(a) gives district courts exclusive original jurisdiction over patent infringement suits, § 1498(a) provides that the Court of Federal Claims has exclusive jurisdiction over patent infringement claims against alleged infringing work performed "for the government." Puerta argued that since work had continued on the RangeFinder Project after his termination but before a new contract was in place, at least some of the work performed at JPL had been for the express purpose of the federal government. However, the Federal Circuit found, among other things, that the evidence proffered by Puerta was insufficient to support his assertion. Thus, the Federal Circuit agreed with the district court that 28 U.S.C. § 1498(a) applies, and the district court did not have jurisdiction to hear the case.

Concerning Puerta's request for additional discovery, the Federal Circuit found that Puerta had failed to make clear, either at the district court or on appeal, what facts he expected to discover that would have precluded SJ in favor of the Defendants. The Federal Circuit also found that Puerta's request was tardy because he failed to initiate discovery until eight months after he had been entitled to serve discovery notice.

## Travel Cup Design Patent Invalid

*Christopher W. Day*

**[Judges: Friedman (author), Schall, and Rich (heard oral argument)]**

In *Berry Sterling Corp. v. Pescor Plastics, Inc.*, No. 98-1381 (Fed. Cir. Aug. 30, 1999) (nonprecedential decision), the Federal Circuit affirmed a district court's decision upholding a jury's verdict invalidating U.S. Design Patent No. 362,368 ("the '368 patent") by reason of obviousness and functionality. Moreover, the Court upheld the jury's verdict that the Berry Sterling Corporation ("Berry") committed a Lanham Act violation against Pescor Plastics, Inc. ("Pescor"). The Court, however, vacated the jury's \$150,000 damages award and ordered the district court to enter a damages award in the amount of \$7,490.

In response to encouragement from the Coca-Cola Co. ("Coca-Cola"), Berry agreed to design a beverage cup that had a distinctive appearance, would fit in a variety of car cup holders, and could be manufactured inexpensively. In January 1994, Berry filed a patent application, which resulted in the '368 patent, to protect its design. When Pescor began commercially exploiting cups that Berry had alleged were copies of its design, Berry sent a letter warning Pescor of possible infringement of its design once a patent had issued. After the '368 patent had issued and no response had been received from Pescor, Berry filed an infringement suit. Berry also issued a press release and sent letters to Pescor's customers stating that Pescor's cups infringed its design patent. In issuing these statements, however, Berry had failed to identify the particular Pescor cups accused of infringement.

A jury found that Pescor had willfully infringed the '368 patent by selling particular cups that were within the scope of the '368 patent. The jury also concluded, however, that the '368 patent was invalid for obviousness and functionality. In addition, the jury found that Berry had violated the Lanham Act by making false and misleading statements in its press release and letters. As a result, the jury awarded \$150,000 in damages based on Pescor's lost sales of both its infringing and noninfringing cups.

Concerning the obviousness of the design, Pescor asserted that it had created a requisite primary travel cup by combining a cut-out bottom of a thirty-two ounce cup with an upper half of a twenty ounce cup. This hybrid cup, according to Pescor, had the same overall appearance as Berry's patented cup. Pescor also contended that it had marketed its hybrid cup before Berry invented his travel cup. According to Berry, however, Pescor's cups constituted two references combined, rather than the required single reference. The Federal Circuit disagreed. By introducing evidence that it had previously marketed such a travel cup, the Court held, Pescor had presented sufficient evidence to sustain the jury's verdict.

The Court also affirmed the invalidity of the '368 patent based on functionality. To render a design patent functional, the Court recognized, each of the features that create the design's overall appearance must be dictated by functional concerns. As such, Berry asserted that its design was primarily ornamental, rather than functional. To support this argument, Berry pointed to the existence of alternative cup designs, which perform the same function of fitting into car holders. The Court, however, recognized that each of the allegedly ornamental features, which Berry had used to distinguish its cup design from the prior art, were described as functional in a utility patent granted on the same article. Consequently, the Court held that the jury had reasonably concluded that Berry's cup design was primarily utilitarian and, thus, invalid.

Concerning the Lanham Act damages award, the jury had found that Berry's failure to specify which of Pescor's cups allegedly infringed the '368 patent constituted a false and misleading statement. By failing to identify the infringing cup, the Court noted, Berry had created customer confusion as to which cups were involved in the suit. However, the jury had also found that many of Pescor's other cups actually infringed the '386 patent. As such, the Court held that Berry's statements had been false and misleading only to the extent that they applied to Pescor's noninfringing cups. Accordingly, the Court concluded that the award of damages on the Lanham Act claim should be reduced to \$7,490, which represented Pescor's lost sales of its noninfringing cups.

## Toothbrush Art Too Crowded

Timothy M. Hsieh

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

The Federal Circuit, in *In re Oggero*, No. 99-1116 (Fed. Cir. Aug. 10, 1999) (nonprecedential decision), upheld a decision of the Board of Patent Appeals and Interferences ("Board"), finding the toothbrush invention in question obvious in view of one or more of six prior art references.

Bonnilyn Oggero's ("Oggero") application concerns a toothbrush with an integral toothpaste container that allows a user to dispense toothpaste through the bristles of the brush head. In particular, the claims provide for a transparent, disposable toothbrush having an integrated container holding at least four ounces of toothpaste.

The Board affirmed the Examiner's decision rejecting the claims as obvious in view of one or more of six prior art patents. The Board found that the prior art references that disclosed or suggested each of the limitations Oggero had asserted patentably distinguished her invention over the prior art.

On appeal, Oggero argued that while one prior art reference disclosed a transparent housing for a toothbrush and another disclosed an integral brush head, none of the prior art references contained an explicit suggestion to combine their teachings. The Federal Circuit rejected this argument, holding that in the crowded art of toothbrushes, no explicit suggestion in the references is needed to combine their teachings where the prior art does not teach away from the combination. According to the Court, the motivation to combine the references arose from the apparent gains in convenience from an integral brush head that allows a user to dispense toothpaste through the brush head and transparency that allows a user to see how much toothpaste is left.

Oggero also argued that the Board had erred in concluding that disposability was disclosed in the prior art. Although the Federal Circuit agreed with the Board's conclusion that any toothbrush is disposable after a certain length of time, the Court nonetheless found this feature in the prior art.

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