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LAST MONTH AT THE FEDERAL CIRCUIT

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SPOTLIGHT INFO:

In *In re DBC*, No. 08-1120 (Fed. Cir. Nov. 3, 2008), the Federal Circuit affirmed the Board's determination on reexamination that the claims were obvious and found that DBC, LLC ("DBC") had waived its constitutionality challenge of the appointment of the APJs who presided over the appeal before the Board. Regarding the obviousness rejection, the Court held that DBC's sales evidence of commercial success did not overcome the prima facie case of obviousness because it failed to show that the driving force behind those sales was the claimed combination, and not just the marketing efforts employed. Regarding the constitutionality challenge, the Court addressed the issue raised by Professor John F. Duffy in an article published in 2007 that the legislation enacted in 2000 delegating the power to appoint APJs to the Director of the PTO rather than the Secretary of Commerce—as required under the Appointments Clause—was unconstitutional. DBC raised this issue on appeal, but the Federal Circuit found that DBC waived the issue by not raising it before the Board. Moreover, the Court chose not to exercise its discretion to hear the issue, given, among other reasons, the remedial legislation passed in August 2008 that redelegate the power of appointment to the Secretary of Commerce. See full summary below.

During Ex Parte Reexamination, Evidence That Sales Were a Direct Result of the Unique Characteristics of the Claimed Invention Was Necessary to Demonstrate Nonobviousness Based on Commercial Success

James A. Tartal

Judges: Linn (author), Dyk, Stearns (District Judge sitting by designation)

[Appealed from Board]

In *In re DBC*, No. 08-1120 (Fed. Cir. Nov. 3, 2008), the Federal Circuit affirmed the Board's rejection of all claims of U.S. Patent No. 6,730,333 ("the '333 patent") as obvious and further held that DBC, LLC ("DBC") waived challenging the appointment of the APJs who presided over its appeal.

The '333 patent is directed to a nutraceutical composition comprising a mixture of the pulp and pericarp of the mangosteen fruit. The '333 patent defines a nutraceutical as "any compound[] or chemical[] that

can provide dietary or health benefits when consumed by humans or animals." Slip op. at 2 (alterations in original). The '333 patent further states that studies have isolated in the mangosteen tree and its fruit chemical constituents known as xanthones, which are biologically active compounds potentially able to provide a variety of health benefits.

The PTO granted a third party's request for ex parte reexamination of the '333 patent. During reexamination, the examiner rejected all claims of the '333 patent as obvious over a combination of seven prior art references, including Japanese Patent 11043442 ("JP '442") and Japanese Patent 08208501 ("JP '501"). Of the seven references, JP '442 was the only reference not before the original examiner. To provide objective evidence of nonobviousness, DBC submitted three declarations that attempted to demonstrate the success of the commercial embodiment of the patented invention, known commercially as XanGo™ juice. The examiner was not persuaded by DBC's evidence and made the rejection final. DBC appealed the examiner's final rejection to the Board, which affirmed the examiner's obviousness rejection of the pending claims.

“We have held on a number of occasions that evidence of commercial success alone is not sufficient to demonstrate nonobviousness of a claimed invention. Rather, the proponent must offer proof ‘that the sales were a direct result of the unique characteristics of the claimed invention—as opposed to other economic and commercial factors unrelated to the quality of the patented subject matter.’”
Slip op. at 18 (quoting *In re Huang*, 100 F.3d 135, 140 (Fed. Cir. 1996)).

DBC appealed, contending that the Board erred in finding a prima facie case of obviousness based on a substantial new question of patentability, and that even if the Board properly found a prima facie case of obviousness, it erred by concluding that DBC’s evidence of commercial success was insufficient to rebut the prima facie case. DBC also argued that even if the Board correctly affirmed the examiner’s rejection of the claims as obvious, its decision must be vacated because two members of the panel that heard the appeal were unconstitutionally appointed.

On appeal, the Federal Circuit rejected DBC’s first argument that the Board’s decision must be reversed because two members of the panel that heard the appeal were unconstitutionally appointed. Under the theory advanced by DBC, legislation enacted in 2000 delegating the power to appoint APJs to the Director of the PTO instead of the Secretary of Commerce was constitutionally infirm

under the Appointments Clause of the U.S. Constitution.

The Court found that DBC waived the issue by failing to raise it before the Board, noting that it is well established that a party generally may not challenge an agency decision on a basis that was not presented to the agency. The Court explained that the requirement that a party object to an agency before attacking that agency’s action in court serves two primary purposes. First, it gives the agency an opportunity to correct its own mistakes before it is haled into federal court, and thus discourages disregard of the agency’s procedures. Second, it promotes judicial efficiency, as claims generally can be resolved much more quickly and economically in proceedings before the agency than in litigation in federal court.

The Federal Circuit, noting that it retains discretion to reach issues raised for the first time on appeal, further determined that this was not an exceptional case that warranted consideration of the Appointments Clause issue despite its tardy presentation. The Court reemphasized that while the issue could have been raised before the Board, it was not. The Court also noted that legislation in August 2008 re delegated the power of appointment to the Secretary of Commerce, thereby eliminating the issue of unconstitutional appointments going forward. The Court stated that because Congress’s action meant that its decision would not affect cases decided by future panels of the Board, this further argued against exercising discretion to address the issue. Additionally, DBC made no allegation of incompetence or other impropriety regarding the APJs who heard its appeal, and those same APJs were reappointed by the Secretary of Commerce, acting under the new statute. The Court concluded that such circumstances did not warrant the exercise

of its discretion to hear DBC's Appointments Clause challenge.

The Federal Circuit next rejected DBC's argument that the Board failed to establish a prima facie case of obviousness based upon a substantial new question of patentability and that JP '442 was cumulative and nonanalogous art. The Court stated that JP '442 was plainly material to patentability because it teaches a nutraceutical beverage combining fruits and fruit juices and mangosteen rind in the same composition. The Court also noted that JP '442 was not cumulative over JP '501 because, unlike JP '442, JP '501 does not teach that mangosteen rind (or extract) can be made into a composition with fruits or fruit juices to make a nutraceutical composition, only that it can be made into a syrup, solution, or suspension with a carrier. The Court therefore rejected DBC's argument that JP '442 did not raise a substantial new question of patentability and found that JP '442, together with the other references cited, provided substantial evidence fully supporting the Board's finding of a prima facie case of obviousness.

Finally, the Court found that substantial evidence supported the Board's determination that DBC's evidence of commercial success was insufficient to upset the prima facie case of obviousness. Declarations made by officers and employees of XanGo, LLC ("XanGo"), the exclusive licensee of DBC and marketer of XanGo™ juice, were offered in an attempt to show that the juice was made according to the claims of the '333 patent and to demonstrate the commercial success of XanGo™ juice.

The Federal Circuit first agreed with DBC that the Board erred by concluding that the evidence failed to show that XanGo™ juice was commensurate with the claims. The Court stated that the Bean declaration submitted by DBC was sufficient to demonstrate that XanGo™ juice fell within the scope of the claims. The Court found that the Board also erred in suggesting that the commercial embodiment of the claim must contain both a fruit juice and a vegetable juice where the claim recites "at least one second juice selected from the group consisting of fruit juice and vegetable juice." *Id.* at 17. The Court stated that DBC need not sell every conceivable embodiment of the claims to rely upon evidence of commercial success, so long as what was sold was within the scope of the claims.

The Court, however, found that evidence of commercial success alone is not sufficient to demonstrate nonobviousness of a claimed invention. Rather, the proponent must offer proof "that the sales were a direct result of the unique characteristics of the claimed invention—as opposed to other economic and commercial factors unrelated to the quality of the patented subject matter." *Id.* at 18 (quoting *In re Huang*, 100 F.3d 135, 140 (Fed. Cir. 1996)). The sales evidence submitted by DBC did not reveal in any way that the driving force behind those sales was the claimed combination. Nor was there any evidence that sales of XanGo™ juice were not merely attributable to the increasing popularity of mangosteen fruit or the effectiveness of the marketing efforts employed. The Court therefore affirmed the Board's decision.

Patent Properly Considered During Reexamination Results in Obviousness-Type Double Patenting Rejection

Sulay Jhaveri

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

[Appealed from Board]

In *In re Basell Poliolefine Italia, S.P.A.*, No. 07-1450 (Fed. Cir. Nov. 13, 2008), the Federal Circuit affirmed the Board's rejection of all claims of Basell Poliolefine Italia, S.P.A.'s ("Bassell") U.S. Patent No. 6,365,687 ("the '687 patent") for obviousness-type double patenting in view of U.S. Patent No. 3,582,987 ("the '987 patent"). The Federal Circuit held that the application of a one-way obviousness-type double patenting analysis was proper and that the '987 patent was properly considered during reexamination.

The '687 patent is directed to the polymerization of unsaturated hydrocarbons. The pending claims generally involve polymerizing any alpha-olefin C₄ or higher with any olefin (in some claims, specifically ethylene) using a titanium halide aluminum alkyl catalyst. The '687 patent issued from a chain of continuing patent applications, the first of which was filed in 1958. Shortly after the '687 patent issued in 2002, the PTO initiated a Director-ordered reexamination for all claims based on double patenting in view of two expired patents issued to one of the inventors of the '687 patent. During the course of reexamination, the examiner added double patenting rejections based on two other expired patents issued to the same inventor, one of which was the '987 patent.

The Board affirmed the double patenting rejections after concluding that the patentees were entitled to a one-way test for double patenting. The Board concluded that the patentees "significantly controlled the rate of prosecution throughout the chain of ancestor applications," and thus the one-way test applied. Slip op. at 3. The Board also reviewed new grounds of rejection based on anticipation and obviousness in view of U.S. Patent No. 3,058,963 ("the '963 patent"). The Board found that the patentees failed to establish that the '687 patent was entitled to the earlier filing date of a 1954 Italian application sufficient to antedate the '963 patent and, thus, the '963 patent was invalidating prior art.

In a second appeal, the Board affirmed the §§ 102(b) and 103(a) rejections based on the '963 patent and finalized all of the obviousness-type double patenting rejections. The Board held that, even though the PTO previously cited the '963 patent during examination of the '687 patent, the reference raised a substantial new question of patentability under § 303(a). Specifically, the Board found that, because "the examiner never fully considered the substantive issues of patentability of the claims over [the '963 patent] as a result of the incorrect assessment of the effective filing date," the citation of the '963 patent in the original examination did not bar rejections based on the same patent during reexamination. *Id.* at 4.

On appeal, the Federal Circuit focused on the obviousness-type double patenting rejection. The Court agreed with the Board that the claims of the '687 patent were unpatentable based on obviousness-type double patenting in view of the '987 patent. In so doing, the Court noted that the judicially created doctrine of

obviousness-type double patenting “prohibit[s] a party from obtaining an extension of the right to exclude through claims in a later patent that are not patentably distinct from claims in a commonly owned earlier patent.” *Id.* at 6 (alteration in original) (quoting *Eli Lilly & Co. v. Barr Labs., Inc.*, 251 F.3d 955, 967 (Fed. Cir. 2001)).

“The judicially created doctrine of obviousness-type double patenting ‘prohibit[s] a party from obtaining an extension of the right to exclude through claims in a later patent that are not patentably distinct from claims in a commonly owned earlier patent.’” Slip op. at 6 (alteration in original) (quoting *Eli Lilly & Co. v. Barr Labs., Inc.*, 251 F.3d 955, 967 (Fed. Cir. 2001)).

The Court explained that in determining double patenting, a one-way test is normally applied, in which the examiner asks whether the application claims are obvious over the patent claims. *Id.* (citing *In re Berg*, 140 F.3d 1428, 1432 (Fed. Cir. 1998)). The Court further explained that in unusual circumstances, where an applicant has been unable to issue its first-filed application, a two-way test may apply, in which “the examiner also asks whether the patent claims are obvious over the application claims.” *Id.* (quoting *Berg*, 140 F.3d at 1432). The Court found that those circumstances were not present here.

Specifically, the Court found that the patentees did not present any claim resembling the claims at issue until nine

years after the inventor filed the first U.S. application in the chain of priority and well after the inventor filed the application that resulted in the ‘987 patent. The Court further found that those claims appeared to have been filed for interference purposes only. Moreover, the Court found that the patentee repeatedly submitted claims directed to claims covering other inventions, urged the examiner to declare interferences for unrelated inventions, and repeatedly filed continuing applications without appeal. The Court concluded that, during the critical copendent period of the applications for the ‘687 patent and the ‘987 patent, the inventor could have filed the claims at issue. Accordingly, the Court concluded that the inventor’s actions (or inactions) had a direct effect on the prosecution and thus were responsible for any delay in prosecution. Accordingly, the Court agreed with the Board that the two-way test for double patenting does not apply.

The Federal Circuit next rejected Basell’s assertion that the Board could not rely on the ‘987 patent because it was previously considered during the original prosecution. The Court found that the ‘987 patent was cited during the prosecution of a different patent application with claims that differed from the claims of the ‘687 patent in the catalysts they recited. Because the original rejection based on the ‘987 patent involved different claims than the claims at issue, the Court concluded that the Board was not precluded from relying on the ‘987 patent in its double patenting rejection. The Court further concluded that the double patenting rejection during the reexamination was made in 2004, thereby making it subject to the new statute and not the Court’s holdings in *In re Portola Packaging, Inc.*, 110 F.3d 786 (Fed. Cir. 1997).

Next, the Federal Circuit considered whether the claims of the '687 patent define an obvious variation of the claims of the '987 patent. The Court agreed with the Board that the claims of the '687 patent were not patentably distinct from claim 1 of the '987 patent. The Court found that, in essence, the claims of the two patents "consist of various permutations of polymerization of olefins with various numbers of carbon atoms using catalysts of titanium halides and aluminum alkyls." Slip op. at 11. Accordingly, the Court affirmed the Board's conclusion that the claims of the '987 patent rendered obvious the claims of the '687 patent and that the latter claims were invalid for obviousness-type double patenting. In so holding, the Court rejected Basell's contentions that the Board improperly read limitations from the '987 patent specification into the claims in concluding that the claims of the '687 patent were not patentably distinct. The Court also disagreed that the Board failed to consider the declaration evidence of its experts, finding that the Board expressly considered the declarations and found them unpersuasive.

The Court also rejected Basell's assertion that the double patenting rejection should be reversed because the Board failed to expressly conduct a full *Graham* analysis in determining that the '687 patent claims were an obvious variant of claim 1 of the '987 patent. The Court concluded that, although the Board failed to expressly set forth each of the *Graham* factors in its analysis, it carefully considered claim 1 of the '987 patent and

the claims of the '687 patent in determining that a person of ordinary skill in the art would have found the '687 patent claims to have been obvious. Accordingly, the Court affirmed the Board's rejection of claims 1-52 of the '687 patent based on obviousness-type double patenting in view of the '987 patent.

In a dissenting opinion, Judge Newman found that the June 2002 reexamination of the '687 patent was conducted in violation of the reexamination law as it then existed. Judge Newman explained that reexamination before § 303 was amended effective November 2, 2002, was available only on certain grounds not considered during the initial examination in order "to protect patentees from the harassment of too-facile reexamination." Newman Dissent at 2. Because the issue of double patenting had been considered during the initial examination, Judge Newman found the reexamination improper. Judge Newman also found that most of the delay between the initial filing and the issuance of the '687 patent was caused by the PTO's patent interference procedures. Finally, Judge Newman found that the PTO had consistently found that the claims of the '687 patent were patentably distinct from the claims of the '987 patent and that expert testimony reinforced this finding. For these reasons, Judge Newman concluded that, "in view of the recognition that the process in the '687 claims is patentably distinct from the '987 claims, double patenting can not lie." *Id.* at 7.

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Abbreviations

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 and Drug Administration
IDS Information Disclosure Statement
ITC International Trade Commission
JMOL Judgment as a Matter of Law
MPEP Manual of Patent Examining Procedure
NDA New Drug Application
PCT Patent Cooperation Treaty
PTO United States Patent and Trademark Office
SJ Summary Judgment
TTAB Trademark Trial and Appeal Board

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Looking Ahead

The Federal Circuit and other tribunals have started applying the machine or transformation test that the Court recited in *In re Bilski*, No. 07-1130 (Fed. Cir. Oct. 30, 2008) (en banc), to determine whether a process claim is drawn to statutory subject matter under 35 U.S.C. § 101. For instance, in *Classen Immunotherapies, Inc. v. Biogen IDEC*, Nos. 06-1634, -1649 (Fed. Cir. Dec. 19, 2008), the Federal Circuit, in a one-paragraph opinion, affirmed the district court's grant of SJ that certain claims were invalid under § 101 in light of *Bilski*, noting that the claims at issue were neither "tied to a particular machine or apparatus" nor did they "transform[] a particular article into a different state or thing." Likewise, in *In re Koo*, No. 08-1344 (B.P.A.I. Nov. 26, 2008), the Board reversed the rejection of certain claims under 35 U.S.C. § 103(a), but entered a new ground of rejection under 35 U.S.C. § 101, relying on *Bilski*. Look for similar decisions in the months ahead.