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EDITED BY VINCE KOVALICK

**MEANS-PLUS-FUNCTION STRUCTURE INCLUDES MICRO-PROCESSOR AND DISCLOSED ALGORITHM**  
In a means-plus-function claim in which the disclosed structure is a computer or microprocessor programmed to carry out an algorithm, the disclosed structure is not the general purpose computer, but rather the special propose computer programmed to perform the disclosed algorithm. *WMS Gaming Inc. v. International Game Tech.*, No. 97-1307 (Fed. Cir. July 20, 1999) . . . . . 1

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## Means-Plus-Function Structure Includes Microprocessor and Disclosed Algorithm

David L. Clark

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

In *WMS Gaming Inc. v. International Game Technology*, No. 97-1307 (Fed. Cir. July 20, 1999), the Federal Circuit (1) reversed the district court's holding of literal infringement; (2) affirmed its holding of infringement under the doctrine of equivalents ("DOE"); (3) vacated its holding of willful infringement; (4) affirmed its holding that the asserted patent is not invalid; and (5) affirmed its measure of actual damages, but vacated the damages award to the extent it was based on trebling for willful infringement. It also affirmed the district court's order denying a new trial, and remanded the case to the district court for further proceedings on willful infringement and for entry of a final damages award based on the outcome of those proceedings.

International Gaming Technology ("IGT") owns U.S. Patent No. 4,448,419 ("the '419 patent"), entitled "Electronic Gaming Device Utilizing a Random Number Generator for Selecting the Reel Stop Positions." The '419 patent claims a slot machine that decreases the probability of winning while maintaining the appearance of a standard slot machine. The type of slot machine covered by the patent claims is common today—a slot machine having electronically controlled reels, known as virtual reels.

In 1993, WMS Gaming Inc. ("WMS") introduced its Model 400 slot machine ("the WMS 400"). IGT asserted the '419 patent against WMS, and WMS responded by seeking a declaratory judgment that the WMS 400 slot machine does not infringe the '419 patent and that the patent is invalid. The district court found the '419 patent not invalid and willfully infringed by WMS and trebled the damages to about \$30 million. WMS filed a motion for new trial based on newly discovered prior art in the form of a slot machine, but the district court denied the motion.

The asserted claims are in means-plus-function format. To address literal infringement, therefore, the Federal Circuit initially identified the structure in the specification corresponding to the means-plus-function limitations. In doing so, the Court ruled that "[i]n a means-plus-function claim in which the disclosed structure is a computer, or microprocessor, programmed to carry out an algorithm, which was true in this case, the disclosed structure is not the general purpose computer, but rather the spe-

cial purpose computer programmed to perform the disclosed algorithm." *WMS Gaming*, slip op. at 14. The Federal Circuit determined that the microprocessor in the WMS 400 was not programmed in the same manner as the microprocessor described in the specification of the '419 patent, and was not, therefore, identical. It found enough evidence, however, to support the district court's finding that the differences between the claimed structure and the WMS 400 were insubstantial, making them equivalent under 35 U.S.C. § 112, ¶ 6.

The Federal Circuit then turned to the claimed functions of the means-plus-function elements, the second prong of the means-plus-function analysis. The Court found that the functions defined by the claims, assigning and selecting a single number, do not literally read on the functions of the WMS 400 because the WMS 400 assigns and selects combinations of numbers. Finding no identity of function, the Federal Circuit reversed the district court's finding of literal infringement.

Having found that the WMS 400 did not literally infringe the '419 patent, the Federal Circuit turned to whether the claims might still be considered infringed by the WMS 400 under the DOE. The Federal Circuit could find no clear error in the district court's finding of insubstantial differences between the WMS 400 and the '419 claims. Though the accused device performs other, unclaimed steps, it nonetheless assigned numbers to stop positions of a reel. Therefore, the Court affirmed the holding of infringement under the DOE.

The Federal Circuit then addressed willful infringement and treble damages. Having found no literal infringement, the Court questioned the applicability of willful infringement and remanded the issue for reconsideration.

With respect to validity, the Federal Circuit analyzed whether a combination of two patents rendered obvious the '419 claims. Upon consideration of the scope of the prior art, the level of ordinary skill, and the differences between the claims of the '419 patent and the prior art, the Federal Circuit determined that there was no clear error in the district court's holding that the '419 patent was not invalid. The Court also considered arguments related to secondary considerations, but found no clear error in the district court's findings regarding secondary considerations.

The Federal Circuit affirmed the district court's denial of a new trial. WMS had argued that a new trial should be granted based on newly discovered prior art, namely, a particular slot machine found by an employee. The Federal Circuit agreed, however that WMS had failed to show diligence in pursuing this prior art. Thus, it affirmed the demand of a new trial.

## **Chiuminatta** Did Not Change Analytical Framework for Considering Means-Plus-Function Limitations

Kimani P. Clark

[Judges: Clevenger (author), Schall, and Lourie (dissenting)]

In *Odetics, Inc. v. Storage Technology Corp.*, No. 98-1533 (Fed. Cir. July 6, 1999), the Federal Circuit reversed a grant of judgment as a matter of law (“JMOL”) for the Defendants, and reinstated a jury’s verdict of infringement and corresponding award of \$70.6 million to Odetics, Inc. (“Odetics”). The Court affirmed the district court’s other judgments.

A jury in the United States District Court for the Eastern District of Virginia had previously found that the Defendants, Storage Technology Corporation; Visa International Service Association, Inc.; Visa USA, Inc.; and Crestar Bank, Inc. (collectively, “STK”) willfully infringed U.S. Patent No. 4,779,151 (“the ‘151 patent”) owned by Odetics, and awarded \$70.6 million in damages. After initially denying STK’s motion for JMOL, the district court, *sua sponte* reconsidered, concluding that the Federal Circuit’s decision in *Chiuminatta Concrete Concepts, Inc. v. Cardinal Industries, Inc.*, 145 F.3d 1303 (Fed. Cir. 1998) had changed the analytical framework for considering means-plus-function limitations.

The ‘151 patent involves robotics tape storage systems that store, organize, and retrieve video or computer data tapes. In this technology, a storage system houses a robotic arm that selectively grabs a desired tape upon command. It generally moves the tape to another shelf or to a tape player. In particular, the storage systems assist companies that store large amounts of data and use many tapes. For this purpose, Storage Technology Corporation sold accused data storage module devices to Visa USA, Inc., and Crestar Bank, Inc. The asserted claims define a “rotary means” mounted within a storage library for providing access to the library.

After a lengthy discussion of *Chiuminatta* and other Federal Circuit and Supreme Court precedent on 35 U.S.C. § 112, ¶ 6 and equivalence, the Court concluded that its *Chiuminatta* decision had not changed the analysis of means-plus-function limitations and did not require a component-by-component equivalence between the structure identified in the patent and relevant portion of the accused device. The Court ruled: “[t]he individual components, if any, of an overall structure that corresponds to the claimed function are not claim limitations. Rather, the claim limitation is the overall structure corresponding to the claimed function.” *Odetics*, slip op. at 10 and 11. “The component-by-

component analysis used by the district court finds no support in the law.” *Id.* at 12. Accordingly, the Federal Circuit reinstated the jury’s verdict of infringement.

The Federal Circuit, however, affirmed several other district court judgments. In doing so, it refused Odetics’s request for a permanent injunction against the use of machines sold during a laches period in which the district court determined that Odetics inexcusably had failed to assert its rights prior to filing the complaint. The Court concluded that allowing a patentee to enjoin products sold during a precomplaint laches period would in effect allow the patentee to recover royalties that laches specifically prevents.

Furthermore, finding no abuse of discretion, the Federal Circuit affirmed the district court’s decision not to enhance damages to Odetics even in light of the jury’s finding of willful infringement. Similarly, the Court rejected STK’s appeal of the district court’s exclusion of evidence of its victory in the original trial and of licenses Odetics had granted to other companies, finding no abuse of discretion.

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## Reexamined Claims Were Not Broadened by Amendments

John M. Albright

[Judges: Rader (author), Rich (heard oral arguments), and Gajarsa]

In *Hockerson-Halberstadt, Inc. v. Converse, Inc.*, No. 98-1501 (Fed. Cir. July 20, 1999) Hockerson-Halberstadt, Inc. (“HHI”) appealed a district court’s finding that the patent-in-suit was invalid on the grounds that the claims had been impermissibly broadened during reexamination. The Federal Circuit, in finding that the Defendant, Converse, Inc. (“Converse”) had not shown that the reexamined claims encompassed subject matter beyond that of the original claims, reversed and remanded.

The patent-in-suit claims an athletic shoe having a support band secured to the upper rim of the shoe’s midsole to provide stability during running. In 1991, HHI filed suit against Nike, Reebok, and a host of other athletic shoe manufacturers. Reebok subsequently requested reexamination of the patent-in-suit in view of various prior art references. During this reexamination, HHI amended both the written description and the claims of the subject patent.

Following the reexamination, HHI filed suit against Converse, who moved for summary judgment of invalidity of all the asserted claims for violation of 35 U.S.C. § 305, which prohibits enlarging

the scope of the claims of the patent in a reexamination proceeding. Converse, in support of its motion, presented two exemplary sneaker designs incorporating differing locations of the claimed support band, and argued that while the original claim would cover one design, the amended claim would cover both designs.

The district court adopted Converse's proposed construction of the claims and held that HHI had impermissibly broadened their scope.

On appeal, HHI advanced a claim construction different from those it had advanced below. The Federal Circuit, out of an abundance of fairness, permitted the new construction.

The Court then instructed that the same test is used in determining whether a patentee broadened a claim in either reissue or reexamination. This test provides that a claim is enlarged if it includes within its scope any subject matter that would not have infringed the original patent.

In applying this test, the Federal Circuit first determined that the district court had correctly interpreted the phrase "starting from" in the amended claim, which, if standing alone, would cover both designs. The Court went on to find, however, that a second limitation in the amended claim constrained the claim to cover only the second design (like the original claim) and not the first design.

Based on this finding, and its inability to conceive of any shoe configuration falling within the scope of the amended claim, but not the original claim, the Court ruled that the amended claim had not been broadened. The Court emphasized, however, that the amended claims had not broadened one aspect of the claim and narrowed it in another aspect. Rather, the Court instructed, the two limitations at issue did not exist independently, but operated together to define the same aspect of the claim.

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## Inventors' Employment by Buyer and Seller No Exception to On-Sale Bar

Cheryl A. Liljestrand

[Judges: Plager (Author), Lourie, and Clevenger]

In *Brasseler, U.S.A. I, L.P. v. Stryker Sales Corp.*, No. 98-1512 (Fed. Cir. July 9, 1999) the Federal Circuit affirmed the district court's holding that U.S. Patent No. 5,306,285 ("the '285 patent") is invalid

for violation of the on-sale bar under 35 U.S.C. § 102(b).

The '285 patent is directed to surgical saw blades. Prior to the patent's "critical date," DS Manufacturing, Inc. ("DS") a saw blade manufacturer, sold over three thousand surgical saw blades embodying the invention set forth in the claims to an unincorporated division of the Plaintiff Brasseler, U.S.A. I, L.P. ("Brasseler"). The district court ruled that this was a sale under 35 U.S.C. § 102(b) and found the '285 patent invalid on summary judgment ("SJ").

The joint inventors of the patent were associated with the buyer of the saw blades, Brasseler, and the seller, DS; two of the named inventors were employed by Brasseler, one was employed by DS, and the fourth owned DS. DS had an arrangement with Brasseler under which DS was obligated to manufacture the patented surgical saw blade solely for Brasseler. Brasseler processed these blades by marking, packaging, and sterilizing the blades. The district court found that these sales had violated the on-sale bar of § 102(b).

Brasseler argued that the joint development of the invention presented special circumstances that should not invoke the on-sale bar. The Federal Circuit rejected Brasseler's argument as being based on the previously used totality of the circumstances test. The Court explained that the Supreme Court had recently rejected this test, indicating a preference for a definite standard for determining when a patent application must be filed in *Pfaff v. Wells Electronics, Inc.*, 119 S. Ct. 304 (1998).

The Federal Circuit found that the transaction at issue in this case was undisputedly a commercial sale, and Brasseler and DS were clearly separate entities in the corporate sense that there was no common ownership or control of the two corporate entities.

The Federal Circuit declined to make a new exception based on the fact that Brasseler and DS were joint developers of the patented saw blades. Even though both companies employed the named inventors, the Court stated that it had never recognized a joint development exception to the on-sale bar. The present case, the Court noted, was not an instance of an individual inventor taking a design to a fabricator and paying for the service in fabricating a few new products. Here, the transaction had been invoiced as a commercial sale for a large quantity of the product, and the parties understood the transaction to be such.

Finally, the Federal Circuit deemed the alleged fact that Brasseler further had processed the surgical saw blades, *i.e.*, marking, packaging, and sterilization, immaterial because the saw blades sold by DS to Brasseler undisputedly had included all the limitations of the patent claims; the additional steps were not recited in the claims. The Court stated

that the additional steps undertaken for marketing of the product do not change the basic nature of the transaction.

In addition to the decision on the on-sale bar, the Federal Circuit held that the Defendant, Stryker Sales Corporation (“Stryker”), had not abandoned its claim to attorney fees under § 285 by not raising the claim in its motion for SJ under § 102(b). The Court stated that Stryker was not obligated to raise the issue in its motion for SJ for invalidity under § 102(b) because such a claim can only be made by the prevailing party and only in exceptional cases. Until the prevailing party is known, a party that has pled a claim for attorney fees under § 285 cannot be expected to bring a motion for such fees. Therefore, the Court vacated the dismissal of Stryker’s claim to attorney fees and remanded the case to the district court for a decision on the merits of the claim.

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## Underlying Chapter 11 Proceeding Did Not “Bankrupt” Federal Circuit’s Jurisdiction

*Scott J. Popma*

**[Judges: Lourie (author), Archer, Rader]**

In *In re Cambridge Biotech Corp.*, No. 98-1012 (Fed. Cir. July 7, 1999), the Federal Circuit held that it could properly exercise jurisdiction over an appeal from a district court’s affirmance of a bankruptcy court decision because the Court clearly invoked 28 U.S.C. § 1338, even though the district court had reviewed the bankruptcy courts’ decisions under 28 U.S.C. § 158 (granting jurisdiction to district courts from final decisions of bankruptcy judges).

Genetic Systems Corporation (“Genetic”) acquired a license for exclusive patent rights in the United States to U.S. Patent Nos. 5,055,391 (“the ‘391 patent”) and 5,051,496 (“the ‘496 patent”), from a wholly owned subsidiary of Pasteur Sanofi Diagnostics (“PSD”) that was co-owned by Institut Pasteur (“Pasteur”), which had been originally assigned the patents. The patents-in-suit related to structural components and methods of detecting the Human Immunodeficiency Virus. After a complex series of ownership changes, Genetic became a wholly owned subsidiary of Sanofi Diagnostics Pasteur (“SDP”), which in turn was a wholly owned subsidiary of PSD, which was co-owned by Pasteur.

This dispute centers on a cross-licensing agreement entered into by Cambridge Biotech Corporation (“Cambridge”) and PSD for rights to

the ‘391 and ‘496 patents, and a separate license agreement for U.S. Patent No. 5,217, 861 (“the ‘861 patent”), which had been obtained by Cambridge as part of a settlement agreement between Pasteur and the National Technical Information Service (“NTIS”). At the time of the cross-licensing agreement PSD had already assigned Genetic an exclusive license to the ‘391 and ‘496 patents, but agreed to make its “best efforts” to recover the rights from Genetic, which it soon indirectly owned.

On July 7, 1994, Cambridge filed for bankruptcy under Chapter 11 of the United States Bankruptcy Code, and pursuant to its reorganization plan, Cambridge sold its stock to bioMerieux Vitek. In bankruptcy court, Pasteur filed charges of patent infringement against Cambridge, alleging that the license between PSD and Cambridge for the ‘391 and ‘496 patents was invalid. Pasteur also alleged that Cambridge had failed to pay proper royalties under the separate license agreement for the ‘861 patent.

The bankruptcy court entered summary judgment (“SJ”) of noninfringement on the ‘391 and ‘496 patents, even though the license agreement was defective, because the court decided to enforce the license in equity. The bankruptcy court determined that PSD failed to use its “best efforts” to secure the patent rights from Genetic, which Genetic contractually had obligated itself to do under the original license agreement. Therefore, the bankruptcy court determined that enforcing the license in equity was proper. However, it did determine that Cambridge had failed to pay a proper royalty rate for practice of the ‘861 patent under the NTIS agreement. The bankruptcy court then determined a reasonable royalty rate of 1%.

The Federal Circuit held that the bankruptcy court had not erred in granting SJ of noninfringement in favor of Cambridge on the ‘391 and ‘496 patents, finding that these patents were licensed to Cambridge under a cross-licensing agreement. The Court also found that the bankruptcy court had not clearly erred in calculating a 1% royalty rate for Cambridge’s past acts of infringement as well as its future practice of the ‘861 patent. Nor had it abused its discretion in declaring that these patents were “licensed patents” under the NTIS agreement.

Pasteur further asserted that the bankruptcy proceeding was not a “core proceeding” as set forth in 28 U.S.C. § 157(b)(2) and that it did not therefore, consent to entry of any final order or judgment by the bankruptcy court. Lastly, Pasteur demanded a jury trial for all the issues raised in their complaint.

The bankruptcy court had ruled that the proceeding qualified as a “core proceeding” as defined by 28 U.S.C. § 157(b)(2)(B), because Pasteur was prosecuting a claim in bankruptcy when they filed

their infringement complaint, or alternatively that the dispute went to a central aspect of the reorganization, and thus would fall within the catchall provision of § 157(b)(2)(O). The bankruptcy court then denied Appellants' request for a jury trial based on the core and equitable nature of the proceeding.

The Federal Circuit held that the bankruptcy court properly concluded that the infringement proceeding had been a "core proceeding," even though it had not arose directly from bankruptcy laws. Furthermore, the bankruptcy court did not improperly deny the Appellants' request for a jury trial, because it is clear that once a party invokes the core jurisdiction of the bankruptcy court that party relinquishes its Seventh Amendment right to a jury trial. Therefore, because the Federal Circuit concluded that the bankruptcy court had properly ruled on all the issues before it on appeal, it affirmed the decision of the district court.

claim 4 under the on-sale bar. The Federal Circuit noted that, due to these sales, Form IV was in the public domain and that it was immaterial that the parties to the Byron transactions had been unaware of the identity of the particular crystalline form involved in the sales.

On appeal, Abbott argued that there was no bar because the "invention" was not on sale. Abbott reasoned that because the parties to the Byron transactions had not known they were dealing with Form IV, they did not conceive of the subject matter that was sold, and, therefore, the "invention" had not been on sale prior to the critical date.

The Federal Circuit rejected this argument, ruling that these sales met both requirements of the on-sale test. Specifically, Form IV was the subject of at least three commercial sales prior to the critical date of the '207 patent, and it was "ready for patenting" because it had been reduced to practice by the manufacturers involved in these commercial sales. The Court also noted that there is no exception to the on-sale bar for sales made by third parties, whether innocently or fraudulently, and the Federal Circuit disagreed with Abbott's contention that there can be no on-sale bar unless conception of the invention has been proved. Instead, the Court placed a greater weight on the fact that a reduction to practice had occurred. Moreover, the Court ruled, there is no requirement under the on-sale bar that the offer specifically identify all characteristics of an "invention" or that the parties to the sale recognize the significance of all of the product's characteristics. "If a product that is offered for sale inherently possesses each of the limitations of the claims, then the invention is on sale, whether or not the parties to the transaction recognize that the product possesses the claimed characteristics." *Abbott*, slip op. at 7 (citations omitted).

## Prior Drug Sales Invalidate Patent

*Christina V. Karnakis*

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

In *Abbott Laboratories v. Geneva Pharmaceuticals, Inc.*, No. 98-1593 (Fed. Cir. July 1, 1999), the Federal Circuit affirmed the district court's grant of summary judgment to the Defendants, holding that claim 4 of U.S. Patent No. 5,504,207 ("the '207 patent") was invalid under the on-sale bar of 35 U.S.C. § 102(b).

Abbott Laboratories ("Abbott") sued Defendants, Geneva Pharmaceuticals; Novopharm Limited; and Invamed, Inc. (collectively "Geneva") for infringement under 35 U.S.C. § 271(e)(2)(A) after each filed an Abbreviated New Drug Application ("ANDA") to obtain approval to market a generic version of Abbott's Hytrin<sup>®</sup> brand terazosin hydrochloride. Hytrin<sup>®</sup> includes a specific anhydrous crystalline form known as Form IV. In each case, the Defendants raised the affirmative defense of invalidity under the on-sale bar of 35 U.S.C. § 102(b).

None of the parties disputed that a third party, Byron Chemical Company, Inc. ("Byron"), made at least three sales of anhydrous terazosin hydrochloride prior to the October 18, 1993, critical date of the '207 patent. At the time of these sales, however, none of the parties involved knew that Form IV was the form involved in the Byron transactions. The district court found that these sales invalidated

## Federal Unfair Competition Claims Do Not Conflict with Federal Patent or Antitrust Laws

*Cindy Ahn*

[Judges: Plager (author), Skelton, and Gajarsa]

In *Zenith Electronics Corp. v. Exzec, Inc.*, No. 98-1288 (Fed. Cir. July 7, 1999), the Federal Circuit, addressed the question whether a federal unfair competition claim irreconcilably conflicts with and is therefore barred by Federal patent or antitrust law; and whether, under the same or similar circum-

stances, the federal law preempts state unfair competition claims. Answering both questions in the negative, the Court affirmed a district court's judgment denying a motion to dismiss based on such claims.

Elo Touch Systems, Inc. ("Elo Touch") sued Exzec, Inc. ("Exzec") for infringement of patents directed to touch panel systems for computers. In response, Exzec asserted two counterclaims against Elo Touch for unfair competition, one under § 43(a) of the Lanham Act, 15 U.S.C. § 1125(a), and the other under Illinois common law. Elo Touch supported its claims of unfair competition by alleging that Elo Touch had known or should have known that Exzec's touch panels used shear technology while Elo Touch's patents were limited to touch panels that use surface acoustic wave technology, and therefore, Exzec did not infringe Elo Touch's patents. Exzec further alleged that despite this knowledge, Elo Touch falsely had told potential customers that Exzec's touch panel infringed its patents and that Exzec could not manufacture or sell a noninfringing acoustic touch panel system.

In ruling on a motion to dismiss, the district court noted that while allegedly false representations of patent infringement are generally not actionable under § 43(a), allegedly false representations that the patentee is the exclusive source of a certain type of product because of its patent may be actionable under § 43(a). The district court therefore denied the motion to dismiss, focusing on the Exzec's allegation that Elo Touch told potential customers that Exzec could not manufacture a device that would not infringe its patents.

On appeal, the Federal Circuit ruled that Exzec's § 43(a) claim was not barred by federal antitrust laws. The Court also found that the antitrust laws and the Lanham Act have a common purpose of fostering fair competition, while the elements of a federal antitrust claim and a § 43(a) claim are substantially different (*e.g.*, antitrust claims require establishment of a monopoly power). The Court held that recognizing a § 43(a) claim in this context would not thwart the congressional purpose embodied in the antitrust laws.

The Court then turned to whether Exzec's § 43(a) claim was barred by the patent laws. The Court found that the antitrust and patent laws were complementary in purpose as they each promoted innovation and competition, but that a conflict seemingly arose when an accused infringer attempted to use antitrust laws to frustrate a patentee's right to enforce a patent. The solution to this conflict has been to block antitrust suits against patentees attempting to enforce its patent. However this barrier is lifted in the case where an antitrust counterclaim is based on the patentee allegedly

having brought a suit on its patent without any belief in infringement and clear and convincing proof of bad faith by the patentee is shown. The Federal Circuit noted that its previous decisions have held that a patentee's statements regarding its patent rights are conditionally privileged under the patent laws so that such statements are not actionable unless made in bad faith. Therefore, the Federal Circuit ruled that before a patentee can be held liable under § 43(a) for marketplace activity in support of its patent, and thus deprived of the right to make statements about potential infringement of its patents, the marketplace activity must have been undertaken in bad faith. The Court noted that this bad faith requirement is a result of the interaction between the Lanham Act and the patent laws, as § 43(a) alone does not require bad faith. While the Court noted that what constitutes bad faith is to be determined on a case-by-case basis, statements to the effect that a competitor is incapable of designing around a patent are inherently suspect.

Finally, the Court considered whether Exzec's state-law tortious interference claim was preempted by the patent or antitrust laws. The Court noted that the issue of preemption by patent law was discussed in *Dow Chemical Co. v. Exxon Corp.*, 139 F.3d 1470 (Fed. Cir. 1998) and *Hunter Douglas, Inc. v. Harmonic Design, Inc.*, 153 F.3d 1318 (Fed. Cir. 1998). *Dow Chemical* held that state tortious interference claims were not preempted by patent laws where a holder of a valid and enforceable patent knowingly makes baseless infringement assertions against a competitor's customers. In *Hunter Douglas*, the Court held that state tort claims were not preempted by patent law if bad faith is alleged and ultimately proven, even if not otherwise an element of the tort claim. Consistent with *Dow Chemical* and *Hunter Douglas*, the Federal Circuit held that bad faith was a prerequisite to Exzec's state law tortious interference claim. Otherwise, the claim is preempted by patent law.

## Court "Spare" Brunswick on Bowling Ball Patent

*Leslie I. Bookoff*

**[Judges: Plager (author), Bryson, and Rader (concurring in the result)]**

In *Zelinski v. Brunswick Corp.*, No. 98-1214 (Fed. Cir. July 29, 1999), the Federal Circuit affirmed a district court's grant of summary judgment ("SJ") to

Defendant Brunswick Corporation of noninfringement of U.S. Patent No. 5,046,731 (“the ‘731 patent”).

The ‘731 patent claims a bowling ball having a spherical mass and a weight block of a density greater than the density of the spherical mass. The claimed weight block has first and second elongate sections. The second elongate section is “located between” the center of the spherical mass and the first elongate section. Such a bowling ball is intended to hook into the bowling pin pocket after it is thrown.

George Zelinski, Jr. (“Zelinski”) filed a patent infringement action against Brunswick, alleging that certain Brunswick bowling balls infringe the ‘731 patent. Brunswick’s bowling balls contain a spherical center, an annular ring encircling the spherical center, and a spherical outer shell. The bowling balls also include an eccentric weight on top of the annular ring to compensate for weight loss created by finger holes drilled into the ball. The eccentric weight and annular ring are made of a material of higher density than the outer shell.

This appeal centered around the meaning of “located between” in the claims. The specification of the ‘731 patent does not contain a definition of this term. The district court gave a narrow interpretation of the term, requiring the claimed second elongate section to be located *entirely* between the center of the spherical mass and the first elongate section. The district court therefore concluded that Brunswick’s annular ring could not be “a second elongate section located between the center of the spherical mass and the first elongate section” because most of the annular ring is not located therebetween. The district court therefore held that Brunswick was entitled to SJ on the issue of literal infringement. As to the doctrine of equivalents (“DOE”), the district court concluded that Zelinski had failed to offer any factual evidence from which a jury could reasonably infer equivalents.

On appeal, Zelinski argued that one of ordinary skill in the art would interpret “located between” to include any weight that is in whole or in part between the center of the spherical mass and the first elongate section. After noting that the claims, the written description, and the prosecution history do not define the phrase “located between,” the Federal Circuit discussed language in the specification that suggests that the district court may have interpreted the phrase too narrowly. That language indicates that the second elongate section need not be *entirely* located between the first elongate section and the center of the spherical mass.

According to the Federal Circuit, the claims may be satisfied if the bulk of the second elongate section is between the first elongate section and the center of the spherical mass, and the entire weight

block is in the top half of the ball. However, the Federal Circuit concluded that at most the district court’s narrower interpretation had been harmless error because Brunswick’s bowling balls do not literally infringe even under a somewhat broader interpretation of “located between.” At least half of the annular ring, the portion in the bottom half of the ball, is not located between the center of the spherical mass and the first elongate section. Thus, under either the district court’s interpretation or a somewhat broader interpretation, no literal infringement exists.

As to infringement under the DOE, Zelinski submitted to the district court only a statement by a patent attorney expert. The district court characterized the statement as conclusory. The Federal Circuit found the district court’s assessment to not constitute impermissible fact finding. The expert statement failed to provide the evidentiary basis to support a claim that there was a genuine issue of material fact on equivalents. The Federal Circuit therefore affirmed the judgment of noninfringement under the DOE.

## Court Clarifies Opinion on Medical Resuscitator Patent

*Lawrence F. Galvin*

**[Judges: Clevenger (author), Gajarsa, and Lourie (dissenting-in-part)]**

This July opinion clarifies *Smiths Industries Medical Systems, Inc. v. Vital Signs, Inc.*, No. 98-1106 (Fed. Cir. May 10, 1999). The Federal Circuit has withdrawn that May opinion.

In *Smiths Industries Medical Systems, Inc. v. Vital Signs, Inc.*, No. 98-1106 (Fed. Cir. July 14, 1999), the Federal Circuit reversed a district court’s judgment of invalidity, vacated its judgment of noninfringement, and remanded the case for further proceedings. The Court based its decision on the district court’s misinterpretation of the claims at issue relating to medical manual resuscitator devices.

United States Patent No. 4,774,941 (“the ‘941 patent”) issued to Wallace F. Cook on October 4, 1988. Cook assigned the ‘941 patent to Intertech Resources, Inc., which has been succeeded by Smiths Industries Medical Systems, Inc. (“Smiths”). The ‘941 patent claims medical manual resuscitator devices used to supply gas, typically air or oxygen, to patients. Such resuscitators customarily consist of three main elements: a facemask, a directional valve assembly (“DVA”), and a squeezebag. The

facemask provides a seal around a patient's nose and mouth. The DVA directs gas to and from a patient's lungs via the facemask. The squeezebag accepts and collects gas, and also supplies pressure to force collected gas into a patient's lungs via the DVA and facemask.

By repositioning its valve assembly to change internal flowpath directions, the essential DVA element allows a manual resuscitator to operate in three different modes: forced inhalation, exhalation, and spontaneous breathing. During forced inhalation, compression of the squeezebag forces gas into a patient's lungs via the DVA and facemask. During exhalation, a patient pushes gas out of their lungs via the facemask and DVA to the atmosphere. During spontaneous breathing, the DVA allows gas into and out of a patient's lungs via the facemask in response to the patient's breathing. In practice, gas is admitted into and collected within the squeezebag either via the same hole through which it later flows into a patient's lungs ("single-entry" or "SE") or via a different hole ("double-entry" or "DE"). Alternatively, the squeezebag may be replaced by a hollow tube for gas collection and a rescue worker's lung power for pressure in a "mouth-to-mask" ("MM") resuscitator.

Vital Signs, Inc. ("Vital Signs") sells SE, DE, and MM resuscitators. Smiths sued Vital Signs in the United States District Court for the Northern District of Illinois, alleging that all three of its products infringed the '941 patent.

At the district court, Vital Signs moved for partial summary judgment of noninfringement with respect to its SE and MM resuscitators, arguing that a limitation from one specific claim reciting "means for supplying gas" required means for supplying gas *under pressure*. Relying on this interpretation, the court found that the "means for supplying gas" limitation was literally met by neither the SE nor MM resuscitators, but reserved the doctrine of equivalence ("DOE") issue for trial.

After a bench trial, the district court found that the SE resuscitators did not infringe the '941 patent under the DOE, but made no DOE findings for the MM resuscitator. Additionally, the district court found all of the asserted claims invalid as obvious over the prior art under 35 U.S.C. § 103. Smiths appealed both the ruling that all of the asserted claims were invalid and the ruling that the SE and MM resuscitators were not within the language of the "means for supplying gas" limitation.

On appeal, the Federal Circuit first analyzed the invalidity holding. Reviewing the claim construction *de novo*, the Court found that all of the asserted claims specifically included a limitation drawn to the spontaneous breathing mode, a critical feature not understood by the district court that distinguished the claimed invention over the prior art.

Although Smiths had conceded that some combination of prior art references probably encompassed all limitations of the asserted claims, according to the Court, the '941 patent's presumption of validity required Vital Signs to present clear and convincing evidence of motivation to combine those references that would also suggest a reasonable likelihood of success. Vital Signs had failed to provide such evidence. Accordingly, the Federal Circuit reversed the obviousness holding.

In its infringement analysis, the Federal Circuit spotted two district court errors. First, the district court's interpretation of "means for supplying gas" claim language as requiring means for supplying gas *under pressure* improperly had read a limitation into the claims from the specification. This error led directly to a flawed "identical function" analysis by the district court. Second, the district court's identification of a generic squeezebag as the structure corresponding to the claimed means had failed to recognize that the '941 patent disclosed only a DE-type squeezebag as the structure corresponding to the gas-supplying function. This error resulted in an improper "equivalent structure" analysis by the district court. Accordingly, the Federal Circuit vacated the district court's finding that the SE and MM resuscitators did not meet the "means for supplying gas" claim limitation. The Court also remanded the case to the district court to determine whether Vital Signs's accused resuscitators contain equivalent structure to the '941 patent's claimed gas-supplying structure that performs the claimed gas-supplying function and for findings under the DOE.

While joining the majority's invalidity opinion, Judge Lourie dissented-in-part, indicating that he would have affirmed the judgment of noninfringement because the district court's error was harmless. He found no basis for a future finding of infringement, describing Smiths' arguments as "untenable," "specious," and "far-fetched."

## Federal Circuit Precedent Controls Award of Attorney Fees

Robert L. Burns

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

In *Pharmacia & Upjohn Co. v. Mylan Pharmaceuticals, Inc.*, No. 99-1001 (Fed. Cir. July 16, 1999), Mylan Pharmaceuticals, Inc. ("Mylan") appealed an order of the United States District Court for the Northern District of West Virginia

denying Mylan's motion for attorney fees under 35 U.S.C. § 285. The Federal Circuit held that the district court had erred in applying the law of the regional circuit—rather than the precedent of the Federal Circuit—in determining whether to award Mylan its attorney fees.

Pharmacia & Upjohn Co. ("Upjohn") sued Mylan for patent infringement of U.S. Patent No. 4,916,163 ("the '163 patent"). During the pendency of that suit, Upjohn filed another suit based on the '163 patent against Mova Pharmaceuticals Corporation ("Mova") in the United States District Court for the District of Puerto Rico. Upjohn subsequently lost its suit against Mova, in which a jury held the '163 patent invalid as obvious under 35 U.S.C. § 103 and unenforceable due to inequitable conduct. While Upjohn pursued post-trial motions to overcome the jury's verdict in favor of Mova, Mylan's motion for summary judgment of noninfringement was granted in view of prosecution history estoppel. Additionally, the Northern District of West Virginia applied as collateral estoppel the judgements of invalidity and unenforceability rendered by the District of Puerto Rico.

Mylan moved for an award of its attorney fees under § 285 in view of, *inter alia*: (1) Upjohn's resisting of the collateral estoppel effect of the jury's verdict in the case against Mova that the '163 patent is invalid and unenforceable, (2) the finding of inequitable conduct itself, and (3) Upjohn's baseless assertions of willful infringement. The Northern District of West Virginia refused to enter a finding of exceptional circumstances and denied Mylan's motion for attorney fees. In particular, the Court applied the Fourth Circuit's standard of exceptionality, requiring proof of fraud, malice, and bad faith—apparently ignoring the above-referenced bases Mylan raised to support its motion.

On appeal, the Federal Circuit made clear that its precedent governed the substantive interpretation of § 285, not the law of the regional circuit. The Federal Circuit ruled that courts must take into consideration findings of inequitable conduct—even if rendered by a different court—as well as baseless assertions of willful infringement and resistance to the imposition of collateral estoppel in determining whether exceptional circumstances exist. Though these circumstances will not automatically warrant an award of attorney fees, the Federal Circuit explained, a district court should at least address them in rendering a decision on the matter. Accordingly, the Federal Circuit vacated the lower court's denial of attorney fees and remanded the case as a whole for further consideration consistent with its opinion.

## Loser of Priority in One Case Can Contest Priority in Another Case

Michael K. Colby

[Judges: Lourie (author), Rich (heard oral arguments), and Newman]

The Federal Circuit held that a patent applicant that prevails in an interference proceeding before the U.S. Patent and Trademark Office ("PTO") Board of Patent Appeals and Interferences ("Board") based only on the constructive reduction to practice represented by its patent application, may continue to contest priority in a succeeding civil action under 35 U.S.C. § 146, notwithstanding the patent applicant's acquiescence, during pendency of that § 146 action, in entry of a final judgment against it on priority grounds in another interference involving the same inventions but a different adversary. *Rexam Industries Corp. v. Eastman Kodak Co.*, No. 98-1279 (Fed. Cir. July 16, 1999).

Eastman Kodak Company ("Kodak") and Rexam Industries Corporation ("Rexam") underwent an interference proceeding ("the '667 interference") in 1991 to determine priority between the claims of Rexam's patent and Kodak's application. Kodak relied upon its constructive reduction to practice date to antedate Rexam's asserted date of invention. In 1994, the Board entered judgment deciding priority in favor of Kodak's application. Rexam challenged the Board's decision under 35 U.S.C. § 146.

A second interference was declared by the PTO involving Kodak's application. This interference ("the '738 interference") was between Avery's application and Kodak's U.S. Patent Application Serial No. 07/609,050 ("the '050 application"). The parties to this interference agreed not to challenge the Board's decision in this case. In 1997 the Board had entered judgment deciding priority in favor of Avery. Kodak did not, however, expressly abandon the application.

In the § 146 proceeding, the district court denied a motion by Rexam, thereby concluding that Kodak's loss of priority in the '738 interference did not prohibit Kodak from defending its priority judgment against Rexam. The district court, however, certified the questions relevant to the motion for interlocutory appeal. Rexam petitioned for, and was granted, permission to appeal the questions to the Federal Circuit.

On appeal, Rexam argued that because Kodak's '050 application cannot mature into a patent containing the relevant claims, Kodak should

be precluded from asserting priority in a § 146 proceeding. The Court stated that it has consistently held priority issues that have been fully developed and presented to the Board for decision in interference proceeding should be decided by the Board even if a count is deemed unpatentable by one party, and this rationale applies to this case, where Kodak claims that it is entitled to defend its priority victory over Rexam even though it lost priority to Avery. Thus, stated the Court, even though Kodak cannot obtain a patent for the contested subject matter because it is not the assignee of the first inventor, it should be entitled to attempt to show that Rexam is not entitled to retain its patent, as Rexam is also not the assignee of the first inventor.

The Federal Circuit also rejected two other arguments by Rexam. In the first, Rexam asserted that because Kodak had lost the priority issue to Avery in the '738 interference, Kodak no longer has a constructive reduction to practice upon which it can rely in the § 146 action. In support of this argument, Rexam asserted that the agreement by Kodak not to appeal a loss to Avery in the '738 interference is tantamount to an abandonment of the '050 application. Observing that the issue is not whether Kodak abandoned its application, but whether Kodak can defend its Board victory in the district court action brought by Rexam, the Federal Circuit concluded, that Kodak may defend its Board victory in the district court because of the statutory policy of deciding all properly raised issues and Rexam's failure to show a good reason not to allow it.

In the second argument, Rexam asserted that allowing Kodak's '050 application to preclude patentability of Rexam's '324 patent would create a nonstatutory class of prior art: abandoned and non-allowed patent applications. The Court disagreed, explaining that Kodak's patent application is not a new class of prior art; it was a constructive reduction to practice when it was filed and, thus, it evidenced a prior invention that deprives a later invention of patentability.

Rexam also asserted that the case is moot, stating that Kodak's inability to obtain a patent covering the invention corresponding to the relevant claims of the '050 application means that Kodak cannot benefit by the result of the § 146 action. The Court disagreed, holding that Kodak is entitled to defend the Board's judgment against Rexam's challenge. The Court stated that because Kodak's award of judgment of priority by the Board prevents Rexam from retaining an invalid patent, Kodak's ability to defend its judgment reflects public policy, even though the patentability of Kodak's claims had been decided adversely to Kodak in a proceeding with a third party (Avery).

## Reversal on Vacatur of Infringement Necessitates Preliminary Injunction

Timothy M. Hsieh

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

In *International Game Technology v. WMS Gaming, Inc.*, No. 98-1361 (Fed. Cir. July 22, 1999) (nonprecedential decision), the Federal Circuit overturned the district court's order that granted a preliminary injunction enjoining WMS Gaming, Inc. ("WMS") from manufacturing, using, and selling a slot machine that allegedly infringed International Gaming Technology's ("IGT") U.S. Patent No. 4,448,419 ("the '419 patent").

As discussed above, IGT's '419 patent discloses a "virtual reel" slot machine that decreases the probability of winning while maintaining the external appearance of a conventional mechanical slot machine. Prior to the '419 patent, the conventional way to decrease the odds of winning was to either increase the number of reels or the number of stop positions on the reels. Experience has shown, however, that players are less attracted to slot machines with more than three reels. The '419 patent solves this dilemma by disclosing a slot machine that uses electronically controlled reels to manipulate the odds of winning. This allows the odds of winning to be decreased without adding reels or stop positions.

In 1993, WMS introduced its virtual reel slot machine. IGT sued WMS, alleging that the WMS slot machine infringed the '419 patent. IGT subsequently filed a motion to preliminarily enjoin WMS from making, using, or selling its slot machine. The district court granted the preliminary injunction against WMS and ordered IGT to post a \$100,000 bond.

On appeal, the Federal Circuit evaluated the district court's application of the four preliminary injunction factors: (1) likelihood of success on the merits; (2) irreparable harm; (3) balance of the hardships to the parties; and (4) impact of the injunction to the public. The district court had determined that IGT established a likelihood of success on the merits with respect to its claim that the WMS slot machine infringed the '419 patent. In construing the claims at issue for purposes of the preliminary injunction motion, the district court had relied on its claim construction in the pending infringement case. The Federal Circuit, however, in *WMS Gaming Inc. v. International Game Technology*, No. 98-1053 (Fed. Cir. July 20, 1999), held that the

district court's claim construction in that case was erroneous and that the accused WMS slot machine did not literally infringe the '419 patent. (See case summary above.)

The Federal Circuit also found that the district court had mischaracterized the accused slot machine. Based on the district court's erroneous claim construction and inaccurate characterization of the accused slot machine, the Federal Circuit found that the district court erred in its determination that IGT had established a likelihood of success on the merits. Lacking a showing of likelihood of success on the merits, the Court further found that IGT was not entitled to a presumption of irreparable harm. Accordingly, the Federal Circuit vacated the preliminary injunction, dismissed the appeal of the bond amount as moot, and remanded the case to the district court.

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## Court "Flushes" Drainage Pipe Patent, but Affirms Breach of Contract

*Christopher W. Day*

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

In *Caouette v. Presby*, No. 98-1145 (Fed. Cir. July 19, 1999) (nonprecedential decision), the Federal Circuit affirmed a district court decision granting a motion for summary judgment ("SJ") of noninfringement of U.S. Patent No. 4,909,665 ("the '665 patent") owned by Henry H. Caouette and Geo-Flow, Inc. (collectively "Caouette"). The Court affirmed, however, the district court's decision to uphold a jury's verdict against David W. Presby and Presby Environmental, Inc. (collectively "Presby") for breach of an exclusive licensing contract.

The '665 patent is directed to an improved fabric covered drainage pipe for use in carrying fluid through underground drainage fields of septic systems. Typical drainage pipes have corrugated surfaces shaped into a series of peaks and valleys. Additionally, known drainage pipes are perforated at the base of each of the valleys to allow effluent fluids to seep through into the earth and become neutralized. Caouette's improvement involves wrapping such a drainage pipe with a "grid mesh" layer, which includes "channels" defined by adjacent cross members, and an outer permeable fabric layer. The grid mesh layer serves to allow fluid to

flow from the base of each of the valleys to the outer fabric layer, which is above each of the peaks.

In March 1992, Presby entered into an exclusive licensing agreement with Caouette to distribute fabric-covered drainage pipes similar to those described in the '665 patent. In the agreement, Presby agreed to use his best efforts to market and sell Caouette's products. In July 1995, however, Presby began developing a competing product. Presby's product consisted of a corrugated pipe covered by a middle batting layer made up of randomly assembled plastic fibers and an outer layer of felt filter material. In October 1995, Presby finally stopped distributing Caouette's product and began exclusively selling his own product.

Caouette brought suit against Presby alleging that Presby had infringed the '665 patent and breached its exclusive licensing agreement. After construing the scope of the claims at issue, the district court granted Presby's motion for SJ of noninfringement but submitted the breach of contract claim to a jury. The jury awarded Caouette \$450,000 in damages. Presby then filed a motion to reduce the jury verdict, which the district court denied.

The first issue on appeal was whether the district court correctly held that prosecution history estoppel had barred Caouette from obtaining a range of equivalents that encompasses Presby's drainage pipe. In reaching its conclusion, the Court construed the scope of the claim term "grid mesh." The district court had found that during prosecution Caouette overcame a prior art rejection by amending the claims to specify that the grid mesh had "channels," which the specification denotes as "a passageway defined by adjacent members of a grid mesh."

Caouette argued that the claims of the '665 patent extended beyond the scope of the preferred embodiments selected by the district court. According to Caouette, the claimed grid mesh structure should not be limited to the illustrated type of channels but should include any filamentary substance that separates the corrugated piping from the outer fabric layer and allows fluid to flow there through. The Federal Court concluded that Caouette's argument was contrary to both the language of the claims and the prosecution history of the '665 patent. The Court construed the '665 patent as being limited to a grid mesh consisting of two distinct elements, channels and apertures. Accordingly, the Court held that Presby's drainage pipe could not infringe the '665 patent because its random array of fibers did not contain any separably identifiable channels and apertures.

The second issue on appeal was whether the district court had erred in refusing to reduce the jury's damage award for breach of contract to

\$250,000. A jury found that by advertising his competing products as superior to Caouette's, Presby had violated his obligation to make best efforts to market Caouette's system. The Court concluded that Presby had failed to make a showing that the district court should reduce the damages, whereas Caouette had offered evidence regarding lost profits. In addition, the Court declined to impose sanctions based on Caouette's argument that Presby's appeal on the contract issue was frivolous.

## Allegations Against Virtual Storage Meet Reality, No Infringement Due to License

*Troy E. Grabow*

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

In *Storage Technology Corp. v. EMC Corp.*, No. 99-1056 (Fed. Cir. July 2, 1999) (nonprecedential decision), the Federal Circuit affirmed a district court finding of no liability for induced infringement, concluding that the Defendant was licensed under the parties' licensing agreement.

Storage Technology Corporation ("Storage") owns U.S. Patent No. 4,467,421 ("the '421 patent"), which covers virtual storage technology. A virtual storage system "tricks" a host computer into believing that an associated storage system is tape based, even though it is actually disk based. EMC Corporation ("EMC"), the accused infringer, manufactures a disk drive storage which, when combined with another company's system, performs virtual storage.

Storage previously had sued EMC for infringement of the '421 patent, after which the parties entered into a cross-licensing agreement. Under the license agreement, EMC was granted a nonexclusive license under the relevant patents, including the '421 patent, to make, use, and sell Direct Access Storage Device ("DASD") memory systems. The license, however, explicitly stated that EMC was not licensed with respect to "complexes," which by definition included a DASD system used in combination with a Magnetic Tape Memory System ("MTMS"). The allegedly infringing system, a DASD, when used with a MTSM, falls under the definition of a "complex." However, the license also provides that a DASD system otherwise licensed in the license agreement and that is made,

used, or sold as part of a "complex" is covered by the license.

Based on this, the Federal Circuit held that EMC is licensed to sell their disk drive storage system alone as well as in a combination that performs the virtual storage. Accordingly, the Court affirmed the district court's finding of no liability.

## "Conferencing" with Potential Customers Anticipates Video Conference Patents

*Stephen D. Huang*

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

In *Datapoint Corp. v. PictureTel Corp.*, No. 98-1341 (Fed. Cir. July 15, 1999) (nonprecedential decision), the Federal Circuit affirmed a district court's finding that all four asserted claims of Datapoint Corp.'s ("Datapoint") patents were not infringed and invalid under 35 U.S.C. § 102(b). Additionally, on cross-appeal, the Federal Circuit affirmed the district court's finding that the Datapoint patents were not unenforceable by reason of inequitable conduct.

Datapoint owns U.S. Patent Nos. 4,710,917 ("the '917 patent") and 4,487,829 ("the '829 patent"), both drawn to methods and apparatus for video conferencing. Datapoint sued PictureTel Corp. ("PictureTel") for patent infringement. PictureTel, in turn, counterclaimed, alleging that Datapoint's failure to name John R. Frassanito and David A. Monroe ("Frassanito and Monroe") as inventors of the '917 and '829 patents, rose to the level of inequitable conduct and rendered the patents unenforceable. Prior to trial in the instant case, Frassanito and Monroe sued Datapoint, asserting that Datapoint had applied for the '917 and '829 patents on their prototype invention but had failed to name Frassanito and Monroe as inventors. Frassanito and Monroe settled with Datapoint and were subsequently added as inventors of the '917 and '829 patents.

At trial, the jury found that Datapoint's commercial offer for sale of Frassanito and Monroe's prototype invalidated the patent claims under 35 U.S.C. § 102(b). Datapoint argued on appeal that: (1) the prototype device was not a commercial product and could not be sold; and (2) the prototype device failed to contain every element of the

asserted claims of the patents-in-suit. First, the Federal Circuit found that Datapoint had shown the prototype to potential clients and therefore offered the prototype for sale. Second, the Federal Circuit reviewed Frassanito and Monroe's testimony in their earlier suit against Datapoint and held that there was substantial evidence to support the jury's finding that the asserted claims of the patents-in-suit were anticipated and invalid under 35 U.S.C. § 102(b).

In their cross-appeal of the jury's finding of no inequitable conduct, PictureTel argued that the existence of a prototype and Frassanito and Monroe's role as inventors were highly material information that should have been disclosed to the U.S. Patent and Trademark Office. During deposition regarding this issue, Datapoint's patent counsel was instructed to not answer questions under the attorney-client privilege, and this deposition testimony was excluded at trial. PictureTel proposed jury instructions stating that wrongful intent could be inferred from Datapoint's failure to answer questions on this issue at deposition. On cross-appeal, PictureTel argued that it was error for the trial court to: (1) exclude the deposition testimony; and (2) refuse to adopt PictureTel's proposed jury instruction.

The Federal Circuit held that there was no error in the district court's decision to exclude the deposition testimony since Datapoint validly had asserted a claim of attorney-client privilege. The Federal Circuit also held that a jury should not be invited or instructed to draw a negative inference from a proper invocation of the attorney-client privilege. Thus, with respect to the jury verdict on inequitable conduct, the Federal Circuit held that the jury had been properly instructed and subsequently delivered a proper verdict in light of the evidence presented.

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## Summary Judgment of Inequitable Conduct Rarely Appropriate

*Pedro F. Suarez*

**[Judges: Mayer, Rader, and Bryson (*per curiam*)]**

In *Origin Medsystems, Inc. v. General Surgical Innovations, Inc.*, No. 98-1416 (Fed. Cir. July 16, 1999)(nonprecedential decision), the Federal Circuit reviewed a district court's order granting summary judgment ("SJ") based on inequitable conduct and held that the order was inappropriate because genuine issues of material fact remained with respect to materiality and intent to deceive the U.S. Patent

and Trademark Office ("PTO") Board of Patent Appeals and Interferences ("Board"). The Federal Circuit thus vacated and remanded the district court's order granting SJ based on inequitable conduct.

General Surgical Innovations, Inc. ("GSI") moved for SJ alleging, *inter alia*, that U.S. Patent No. 5,520,609 ("the '609 patent"), entitled "Apparatus and Method for Peritoneal Retraction" is unenforceable by reason of inequitable conduct in the procurement of the '609 patent. In particular, GSI contended that in a response to a rejection of the '609 patent by the PTO, Origin Medsystems, Inc.'s ("Origin") patent attorney misrepresented the "polyethylene balloon" disclosed in U.S. Patent No. 3,863,639 ("the '639 patent") as being "elastic."

The district court found that polyethylene is an inelastic material and, thus, concluded that the Uilkema's "elastic" characterization of the '639 patent constituted a material misrepresentation. According to the Federal Circuit, to find inequitable conduct by an applicant that provides false information, there must be clear and convincing evidence that the misrepresentation was material and submitted with an intent to deceive the PTO, and the findings of materiality and intent to deceive must be balanced in light of all the evidence. The Federal Circuit found that there was significant evidence to support a characterization of the polyethylene balloon of the '639 patent as either "elastic" or "inelastic." The Federal Circuit concluded that since there was a reasonable dispute over a genuine issue of material fact with regard to elasticity, the order for SJ should have been precluded.

Furthermore, the Federal Circuit concluded that even if the statement characterizing the '639 patent as "elastic" were false, it was "unclear" whether Uilkema had acted with intent to deceive, since the Examiner and the Board were cognizant of the '639 patent and the elasticity issue. According to the Federal Circuit, Uilkema's attempt to merely distinguish prior art is not a material misrepresentation. The Court further noted that a determination of inequitable conduct is "rarely" appropriate in SJ proceedings.

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## Baby's "Private" Use of Blanket Is Still Public Use

*Elizabeth M. Burke*

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

In *Comfort Silkie Co. v. Seifert*, No. 98-1476 (Fed. Cir. July 16, 1999)(nonprecedential decision), the Federal Circuit affirmed a district court's grant of summary judgment ("SJ"), holding invalid all

claims of U.S. Patent No. 4,989,285 (“the ‘285 patent”).

Comfort Silkie Company Corporation (“Comfort Silkie”) is the owner of the ‘285 patent, which describes and claims a baby blanket. Anne L. Seifert (“Seifert”), doing business as Barefoot Dreams, manufactures and sells blankets designated by the Trademarks DREAM WITH ME and BLANKIE-TO-GO. Comfort Silkie had filed a complaint against Seifert alleging infringement of the ‘285 patent.

The patented blanket has two sides, one made of satin and the other of flannel, that slide when rubbed between thumb and finger.

Cheryl Porcaro, a nonparty, had made such baby blankets. Evidence, including photographs of the Porcaro blankets, was introduced to show that Porcaro and her sister had been making these blankets for more than a year before the filing date of the application that issued as the ‘285 patent, and that they had been using them in public. Comfort Silkie argued that there was insufficient evidence to clearly and convincingly prove that the blankets had been used publicly more than a year before the filing date, and any use before the critical date of the baby blankets had not been “public use,” as required by 35 U.S.C. § 102(b).

The district court granted partial SJ to each party, holding certain claims invalid for public use, and finding infringement of other claims. On another motion for SJ, the district court found the infringed claims invalid for obviousness.

On appeal, the Federal Circuit found that there was clear and convincing evidence that, as a matter of law, the patented blanket had been used publicly more than a year before the patent application was filed, and that the use was sufficiently public to render invalid Comfort Silkie’s patent under 35 U.S.C. § 102(b). The Court rejected Comfort Silkie’s argument that the blanket was within the baby’s realm of privacy, noting “that if the Supreme Court has held that a woman wearing a corset stay, under her clothes, is a public use, then *a fortiori*, a baby playing with a blanket in public locations observable by others is a public use. See *Egbert v. Lippman*, 104 U.S. 333 (1881).” *Comfort Silkie*, slip op. at 4.

Although the baby blankets made by Porcaro were larger than the size limitation of 14 inches by 18 inches found in claims 5 and 11 of the ‘285 patent, the blanket, when combined with a Security Bunny, manufactured by Fisher-Price since 1979, rendered the size limitation in these claims obvious under 35 U.S.C. § 103.

## Secondary Considerations Fail to Overcome Obviousness

Ja K. Moon

[Judges: Schall (author), Friedman, and Mayer (dissenting)]

In *In re Youngblood*, No. 98-1518 (Fed. Cir. July 6, 1999) (nonprecedential decision), the Federal Circuit affirmed the U.S. Patent and Trademark Office (“PTO”) Board of Patent Appeals and Interferences (“Board”) rejection of the application of Bernard J. Youngblood (“Youngblood”) as unpatentable due to obviousness.

The appeal concerns U.S. Patent Application, Serial No. 07/593,810 (“the ‘810 application”) claims the use of a solid lubricant coating on rail cars that transport vehicles. The coating is applied to at least some portion of the equipment, *i.e.*, positioning members such as channel tracks . . . that secure the vehicles to the decks of the rail cars. Such equipment is either coated throughout the positioning members (independent claim 21) or only coated in areas where the positioning members are not welded to the rail car deck (independent claim 11).

The Board affirmed the rejection of the ‘810 application as unpatentable under 35 U.S.C. § 103 over three references: U.S. Patent No. 3,564,577, issued to Blunden et al. (“Blunden”), which discloses the channel tracks; a technical marketing brochure of Atochem, which discloses a solid lubricant coating; and a book, *Fundamentals of Welding*, by James W. Owens (“Owens”), which teaches that metal surfaces should be cleaned of rust, grease, and other impurities before welding. The Board alleged that the combined teachings of Blunden in view of Atochem provided a clear incentive and motivation to apply the solid lubricant coating of Atochem to the equipment of Blunden (the invention of claim 21). Further, the Board determined that the disclosures of Blunden, Atochem, and Owens would have taught one having ordinary skill in the art not to coat areas to be welded (the invention of claim 11). Therefore, the Board concluded that a *prima facie* case of obviousness had been established by the combined teachings of the references.

In rebuttal, Youngblood presented evidence of secondary considerations of nonobviousness. The Board decided that the presented evidence did not

outweigh the strong evidence of obviousness and concluded that the invention of the '810 application would have been obvious to a person of ordinary skill in the art.

Youngblood appealed, alleging that the Board had failed to apply the correct test in evaluating his rebuttal evidence of secondary considerations and had failed to properly evaluate the factual evidence.

The Federal Circuit first addressed the issue of the proper legal test for evaluating rebuttal evidence when a *prima facie* case of obviousness has been established. The Court held that the Board had properly evaluated Youngblood's rebuttal evidence because the record indicated that the Board had considered anew the issue of obviousness after carefully evaluating and weighing both the evidence relied upon by the Examiner and the objective evidence of nonobviousness presented by Youngblood. Therefore, the Court found the Board had properly applied the correct test for evaluating rebuttal evidence.

The Court then moved on to the factual contentions raised by Youngblood's rebuttal evidence. Youngblood presented rebuttal evidence that he allegedly showed that his invention had an unexpected result, had been adopted by the industry, enjoyed commercial success, satisfied a long-felt need, and had been copied.

The Court concluded that Youngblood had failed to provide factual support of his assertion of the unexpected results.

It further concluded that letters from a car manufacturer failed to show that Youngblood's invention had been adopted by the industry or enjoyed commercial success. The letters failed to prove that the industry had adopted Youngblood's invention over the disclosure of Atochem's brochure.

The Court also held that Youngblood's rebuttal evidence of unit sales failed to rebut the *prima facie* case of obviousness. The Court emphasized that information such as sales figures alone are insufficient to establish either commercial success or copying by others in the industry, particularly when no nexus to the invention is identified.

Lastly, the Federal Circuit felt that Youngblood's demonstration of long-felt need did not overcome the *prima facie* case of obviousness. The Court stated that evidence proving long-felt need is only relevant when the industry fails to address the problems due to technical difficulties that were solved by the claimed invention. In this case, the Court determined that since the rail car industry historically had focused on low cost instead of maintaining the quality of transported vehicles, this industry eschewed a solution to the problem solved by the claimed invention for economic reasons, not technical ones. Therefore, the Court held that the rebuttal evidence was not relevant in showing the nonobviousness of the '810 application.

Chief Judge Mayer dissented.

In a related appeal, *In re Youngblood*, No. 98-1519 (Fed. Cir. July 6, 1999) (nonprecedential decision), the Federal Circuit affirmed the Board's rejection of another Youngblood application, Serial No. 08/120,637 as unpatentable due to obviousness. Based on the reasoning set out in the earlier Youngblood decision, the Court affirmed that the rebuttal evidence of secondary considerations failed to establish that the claimed invention was nonobvious, and therefore, the Board had properly rejected the application at issue.

Chief Judge Mayer again dissented.

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