

# FINNEGAN

## Last Month at the Federal Circuit

August 2012

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Sciele Pharma Inc. v. Lupin Ltd.

No. 12-1228 (Fed. Cir. July 2, 2012)

[Appealed from D. Del., Judge Kugler]

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[Appealed from E.D. Va., Senior Judge Hilton]

**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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### **Presumption of Validity of an Issued Patent Is Unchanged by Mistaken Issuance of a Claim or Previous Consideration of Prior Art by the PTO**

*Jeffrey D. Smyth*

**Judges: Lourie, Prost, Moore (author)**

**[Appealed from D. Del., Judge Kugler]**

In *Sciele Pharma Inc. v. Lupin Ltd.*, No. 12-1228 (Fed. Cir. July 2, 2012), the Federal Circuit vacated the district court's issuance of a preliminary injunction stopping the sale of a generic drug product and remanded the case to the district court for further proceedings.

Shionogi Pharma Inc. ("Shionogi"), previously known as Sciele Pharma Inc., markets Fortamet, an extended-release tablet of metformin hydrochloride. Lupin Ltd. and Lupin Pharmaceuticals Inc. (collectively "Lupin") submitted an ANDA to the FDA, seeking approval to market a generic version of Fortamet. Shionogi sued Lupin for patent infringement, asserting, inter alia, U.S. Patent No. 6,866,866 ("the '866 patent") directed to Fortamet formulations with certain peak dosage limitations.

After expiration of the thirty-month stay, the FDA gave final approval to Lupin's ANDA, and Lupin launched its generic version of Fortamet "at risk." Shionogi moved for a preliminary injunction and a recall of Lupin's generic products. The district court granted the motion without addressing Lupin's obviousness arguments, and Lupin appealed. The Federal Circuit vacated the preliminary injunction and remanded the case, directing the district court to "make appropriate findings and conduct an appropriate obvious analysis in the first instance." Slip op. at 6. On remand, the district court reinstated the injunction and Lupin again appealed.

In the instant appeal, the Federal Circuit first addressed the appropriate presumption of validity and burden of proof. Lupin argued that the presumption of validity should not attach because claims that had been cancelled in response to an obviousness rejection were erroneously included in the issued patent. Shionogi argued that there should be a heightened presumption of validity because the prior art references were before the PTO during prosecution.

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**"The presumption of validity attaches to all issued patents and the clear and convincing evidence burden applies to all issued patents." Slip op. at 10.**

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The Court dismissed the parties' arguments, holding instead that "[t]he presumption of validity attaches to all issued patents and the clear and convincing evidence burden applies to all issued patents." *Id.* at 10. The Court noted that this burden of proof is the same regardless of whether a reference was previously considered by the PTO, though new evidence considered by the PTO may carry more weight. The Court

held that the prosecution history, including “the bizarre circumstances surrounding the issuance of the claims in [the ’866] patent,” does not affect the burden of proof and instead would be taken into account in the Court’s obviousness analysis. *Id.* at 12.

In addressing obviousness, the Court held that Lupin’s obviousness arguments raised substantial questions of invalidity, and that the district court’s obviousness analysis was “flawed.” The Court found that the district court failed to correctly apply *KSR* based on a perceived factual difference between *KSR* and the present case, namely, that the present references were before the PTO during prosecution.

The Court found that the district court clearly erred in concluding that there was no motivation to combine the two references. The Court reasoned that the second reference identified a number of benefits that would have motivated one skilled in the art to modify the first reference to obtain the claimed dosage limitation. The Court found further motivation based on the drug profile of the industry standard drug.

The Court noted that its holding was further supported by Shionogi’s argument during prosecution that one skilled in the art would be able to manipulate the formulations of the prior art to achieve the claimed invention. Rejecting Shionogi’s contention that this language only applied to enablement, the Court held that, coupled with the motivation from the prior art, “the applicant’s characterization of the predictability and skill in the art during prosecution provides further evidence that [the claimed invention] would have been a routine and obvious design choice . . . .” *Id.* at 16. Thus, the Court vacated the district court’s issuance of a preliminary injunction stopping the sale of a generic drug product and remanded the case to the district court for further proceedings.

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### **Circuitry Components May Be “Coupled” Without Existing Entirely Outside of One Another**

*Armon B. Shahdadi*

**Judges: Rader, Newman (author), Linn**  
**[Appealed from ITC]**

In *General Electric Co. v. International Trade Commission*, No. 10-1223 (Fed. Cir. July 6, 2012), the Federal Circuit overturned a portion of an ITC decision finding that General Electric Company (“GE”) did not prove a violation under Tariff Act section 337. Specifically, the Federal Circuit (1) vacated the ITC’s ruling with respect to the first patent-at-issue because it had since expired; (2) affirmed the ITC’s ruling that the accused products do not violate section 337 with respect to the second patent-at-issue; and (3) reversed the ITC’s ruling that there is no domestic industry corresponding to the third patent-at-issue, remanding the case for further proceedings on the third patent.

The technology-at-issue relates to wind turbines. The asserted patents—U.S. Patent Nos. 5,083,039 (“the ’039 patent”); 7,321,221 (“the ’221 patent”); and 6,921,985 (“the ’985 patent”)—are directed to wind-turbine generators and their interaction with the utility grid. In particular, the ’039 patent relates to control systems that allow variable-speed wind turbines to output the fixed-frequency alternating current required by power grids. The ’221 patent relates to a protective circuit called a “crowbar circuit,” which decouples particular components of the turbine when grid voltage varies, thereby protecting the circuitry of the wind turbine. The ’985 patent is directed to circuitry that allows wind turbines to remain connected to the grid during low-voltage events.

GE initiated an ITC investigation against Mitsubishi Heavy Industries, Ltd. and Mitsubishi Power Systems Americas, Inc. (collectively “Mitsubishi”), alleging that Mitsubishi’s wind turbines infringed the three asserted GE patents. In an Initial Determination, the ALJ held that the imported Mitsubishi turbines violated section 337, and held the asserted patents valid and infringed. Both parties requested review by the ITC. The ITC held by Final Determination that the ’039 and ’221 patents are not infringed, the ’039 patent is not invalid, and that the domestic industry requirement is not met as to any of the patents. Accordingly, the ITC found no violation of section 337. GE appealed this decision to the Federal Circuit.

The Federal Circuit first noted that the ’039 patent had expired after the ITC’s decision was appealed, and dismissed that portion of the appeal as moot.

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**“The domestic industry requirement is not negated if the technology as employed in the domestic industry has been modified from its form when the patent was obtained.” Slip op. at 21.**

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With respect to the '221 patent, the issue of infringement revolved around the construction of the term “predetermined value” in the context of “the currents generated in the rotor windings.” The parties disagreed over whether the term “predetermined value” includes not only a value of current, but also a predetermined period of time. The Court agreed with the ITC that the patentee described the invention as the resumption of current feed after the current is restored to the predetermined value, not after a fixed period of time. Because the Mitsubishi wind turbines use a predetermined period of time rather than a predetermined current value, the Court found that the '221 patent is not infringed, affirming the ITC’s holding.

Turning to the '985 patent, the Court addressed the construction of the claimed “circuit . . . to shunt current from the inverter and generator rotor.” The issue of claim construction was whether the asserted claim required the circuit that shunts current to be located entirely outside of the inverter, or whether it could be within the inverter. The Court disagreed with the ITC, holding that the function of the shunt circuit does not depend on whether the shunt circuit is entirely outside of the inverter, and that the '985 patent specification does not require separation of the inverter and the shunt circuit. The fact that the claim recites the circuit “coupled” to the inverter was not persuasive, as the term “coupled” generically describes a connection and does not require one component to be entirely outside of the other.

The Court found that the asserted claim, correctly construed, covers GE’s domestic industry turbines, even though GE’s domestic industry turbines use a shunt circuit that is not separate from the inverter. The Court rejected the argument that the GE turbines embody a modification of the circuitry system in the '985 patent that is separately patented in a different GE patent. In addressing this argument, the Court stated that “[t]he domestic industry requirement is not negated if the technology as employed in the domestic industry has been modified from its form when the patent was obtained.” Slip op. at 21. Accordingly, the Court remanded for further proceedings with respect to the '985 patent.

The Court’s opinion replaced an earlier panel decision in the appeal, issued on February 29, 2012. The replacement opinion omitted a portion of the February decision that criticized the ITC for addressing only one dispositive issue with respect to the '985 patent and reserving other related issues for potential remand.

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### **Claims Directed to Statutory Subject Matter Under 35 U.S.C. § 101 Unless Unpatentability Is “Manifestly Evident”**

*James A. Cooke*

**Judges: Linn (author), Prost (dissenting), O'Malley**  
**[Appealed from D.D.C., Judge Collyer]**

In *CLS Bank International v. Alice Corp.*, No. 11-1301 (Fed. Cir. July 9, 2012), the Federal Circuit reversed the district court's grant of SJ in favor of CLS Bank International and CLS Services Ltd. (collectively “CLS Bank”), finding that the system, method, and media claims of the patents-in-suit are not directed to mere abstract ideas, but rather to practical applications of invention that fall within the categories of patent-eligible subject matter defined by 35 U.S.C. § 101.

Alice Corporation Pty. Ltd. (“Alice”) is the owner of the patents-in-suit, which include U.S. Patent Nos. 5,970,479 (“the '479 patent”); 6,912,510 (“the '510 patent”); 7,149,720 (“the '720 patent”); and 7,725,375 (“the '375 patent”). The four patents-in-suit include system, method, and media claims directed to a computerized trading platform that enables a trusted third party to settle obligations between a first and second party in a manner that eliminates a “settlement risk” associated with a transaction.

CLS Bank filed suit against Alice seeking DJ of noninfringement against the '479, '510, and '720 patents, and Alice filed a counterclaim alleging that CLS Bank infringed those patents. CLS Bank later moved for SJ, contending that the asserted claims of the '479, '510, and '720 patents were invalid under 35 U.S.C. § 101. Alice opposed and cross-moved for SJ. Following the Supreme Court's grant of certiorari in *In re Bilski*, 545 F.3d 943 (Fed. Cir. 2008) (en banc), *cert. granted sub. nom. Bilski v. Doll*, 129 S. Ct. 2735 (June 1, 2009), the district court denied the parties' cross-motions for SJ as to subject matter eligibility without prejudice to refiling following the Supreme Court's decision on certiorari.

Upon issuance of the '375 patent, Alice filed amended counterclaims additionally asserting that CLS Bank infringed the claims of the '375 patent. After the Supreme Court's decision in *Bilski v. Kappos*, 130 S. Ct. 3218 (2010), the parties renewed their cross-motions for SJ, and CLS Bank additionally asserted the invalidity of the '375 patent under 35 U.S.C. § 101. The district court granted CLS Bank's motion for SJ and denied Alice's cross-motion, finding that the asserted claims of the patents-in-suit were invalid for failing to claim patent-eligible subject matter under 35 U.S.C. § 101. Alice appealed.

Noting the different purposes of 35 U.S.C. §§ 101, 102, 103, and 112, the Court stated that §§ 102, 103, and 112, and not § 101, perform the substantive work of disqualifying those patent-eligible inventions that are “not worthy of a patent.” Slip op. at 12 (citing *Research Corp. v. Microsoft Corp.*, 627 F.3d 859, 868 (Fed. Cir. 2010)). The Court also observed that challenges to invalidity, patentability, and patent eligibility under these sections present distinctly different questions. Although § 101 has been characterized as a “threshold test” and can be addressed before other matters touching the validity of patents, the Court

noted that § 101 need not always be addressed first, particularly when other sections might be discerned by the trial judge as having the promise to resolve a dispute more expeditiously or with more clarity and predictability. Thus, and consistent with its role as the master of its own docket, the Court observed that the district court properly exercised its discretion to entertain a challenge to the validity of the patents-in-suit under 35 U.S.C. § 101.

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**“[T]his court holds that when—after taking all of the claim recitations into consideration—it is not manifestly evident that a claim is directed to a patent ineligible abstract idea, that claim must not be deemed for that reason to be inadequate under § 101.” Slip op. at 20.**

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Returning to the patent eligibility of the asserted claims, the Court noted that the district court’s decision ultimately turned on whether the claimed subject matter fell within the “abstract ideas” exception to patent eligibility. The Court observed that the Supreme Court often looks to the notion of preemption to further elucidate the “abstract ideas” exception. For example, the Court noted that in *Diamond v. Diehr*, 450 U.S. 188 (1981), the Supreme Court held that claims directed to a process for curing rubber using the Arrhenius equation did not “pre-empt the use of that equation” and “only foreclose[d] from others the use of that equation in conjunction with all of the other steps in the[] claimed process.” Slip op. at 16 (alterations in original) (citing *Diehr*, 450 U.S. at 187). As explained by the Court, the claims in *Diehr* were “not barred at the threshold by § 101” because they were “an *application* of a law of nature or mathematical formula to a known structure or process,” which “incorporate[d] in it a more efficient solution of the equation.” *Id.* (alteration in original) (citing *Diehr*, 450 U.S. at 187, 188).

Turning to the role of preemption in fostering innovation, the Court observed that while every inventor is granted the right to exclude, or preempt, others from practicing his or her claimed invention, no one is entitled to claim an exclusive right to a fundamental truth or disembodied concept that would foreclose every future innovation in that art. According to the Court, “the essential concern is not preemption, *per se*, but the extent to which preemption results in the foreclosure of innovation,” and “[c]laims that are directed to no more than a fundamental truth and foreclose, rather than foster, future innovation are not directed to patent eligible subject matter under § 101.” *Id.* at 17-18.

The Court then examined practical implementations of “abstract ideas,” noting that the mere implementation on a computer of an otherwise ineligible abstract idea will not render the asserted “invention” patent eligible. The Court did, however, observe that where the addition of a machine imposes a meaningful limit on the scope of a claim and plays a significant part in permitting the claimed method to be performed, that machine limitation may render the claim patent eligible. Thus, while a specific way of doing something with a computer is likely to be patent eligible, the Court noted that a claim to nothing more than the idea of doing that thing on a computer may not be patent eligible.

The Court, however, cautioned that any claim can be stripped down, or simplified, removing all of its concrete limitations, until at its core, something that could be characterized as an “abstract idea” is revealed. According to the Court, nothing in the Supreme Court’s precedent, nor in its own precedent, allows a court to go hunting for abstractions by ignoring the concrete, palpable, tangible, and otherwise not abstract invention the patentee actually claims. The Court thus observed that “[p]atent eligibility must be evaluated based on what the claims recite, not merely on the ideas upon which they are premised.” *Id.* at 19.

In view of these observations, the Court held “that when—after taking all of the claim recitations into consideration—it is not manifestly evident that a claim is directed to a patent ineligible abstract idea, that claim must not be deemed for that reason to be inadequate under § 101.” *Id.* at 20. The Court further explained that “[u]nless the single most reasonable understanding is that a claim is directed to nothing more than a fundamental truth or disembodied concept, with no limitations in the claim attaching that idea



to a specific application, it is inappropriate to hold that the claim is directed to a patent ineligible ‘abstract idea’ under 35 U.S.C. § 101.” *Id.* at 21.

Returning to the asserted claims, the Court observed that the specifications of the patents-in-suit are consistent with the understanding that each asserted claim requires computer implementation. As such, the Court found no basis to question the district court’s assumption that the asserted claims require a computer system. *Id.* at 24. Although computer implementation indicates that these claims would likely satisfy the “machine” prong of the machine-or-transformation test, the Court further noted that the mere fact of computer implementation alone does not resolve the patent-eligibility question, as indeed, almost every method in the Digital Age can be implemented on a specially programmed computer.

To determine the patent eligibility of the asserted claims, the Court reviewed the limitations of the claims as a whole, and not just the computer implementation standing alone. The Court found that the asserted claims cover a practical application of a business concept in a specific way, which, among other things, requires computer-implemented steps of exchanging obligations maintained at an exchange institution by creating electronically maintained shadow credit and shadow debit records. The Court characterized these claim limitations as integral to the method, and not as token postsolution activity. Further, according to the Court, the limitations requiring specific “shadow” records leave broad room for other methods of using intermediaries to help consummate exchanges, and thus do not appear to preempt much in the way of innovation. The Court concluded that “presence of these limitations prevents us from finding it manifestly evident that the claims are patent ineligible under § 101.” *Id.* at 27.

Accordingly, the Court reversed the district court’s grant of SJ in favor of CLS Bank, finding that Alice’s method, system, and product claims are directed to statutory subject matter under § 101.

Judge Prost, in a dissenting opinion, stated that the Court departed from the Supreme Court’s unanimous directive to apply the patentable subject matter test with more vigor, instead creating an entirely new framework that in effect allows courts to avoid evaluating patent eligibility under § 101 whenever they so desire. Judge Prost explained that the Court did not inquire whether Alice’s claims include an “inventive concept,” and instead relied on the fact that Alice’s claims require “computer implementation,” which the majority itself deemed insufficient to pass muster under § 101. Prost Dissent at 3. Accordingly, in Judge Prost’s opinion, “the majority’s ‘manifestly evident’ standard is more of an escape hatch than a yardstick.” *Id.* at 4.

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### **In Pre-2007 TTAB Cases, Party Seeking to Exclude Trial Evidence Not Produced By Adversary During Discovery Must First File Motion to Compel**

*Stephanie H. Bald*

**Judges: Bryson (author), Mayer, Dyk (concurring-in-part and dissenting-in-part)**  
**[Appealed from TTAB]**

In *Midwestern Pet Foods, Inc. v. Societe des Produits Nestle S.A.*, No. 11-1482 (Fed. Cir. July 9, 2012), the Federal Circuit affirmed the TTAB's decision denying registration of Midwestern Pet Foods, Inc.'s ("Midwestern") WAGGIN' STRIPS mark, based on a likelihood of confusion with Societe des Produits Nestle S.A.'s ("Nestle") registered BEGGIN' STRIPS mark, and because the TTAB committed no reversible procedural error in admitting evidence offered by Nestle.

Nestle's BEGGIN' STRIPS registered mark for pet treats has been in continuous use since 1988 and has been registered since 1989. In connection with the introduction of a new product, Midwestern filed an intent-to-use application with the PTO seeking to register the mark WAGGIN' STRIPS for pet food and edible pet treats. Nestle opposed Midwestern's application on the ground of a likelihood of confusion between the two marks.

The TTAB allowed Nestle to present certain evidence over Midwestern's objections. On the merits, the TTAB rejected Nestle's claim of trademark dilution but sustained Nestle's opposition to Midwestern's application based on a likelihood of confusion. Midwestern appealed.

On appeal, Midwestern argued that the TTAB erred by failing to sustain Midwestern's objection to the admission of Nestle's evidence of its advertising, sales, and marketing activities, because Nestle did not produce those documents in response to Midwestern's discovery requests. The Federal Circuit dismissed Midwestern's argument. First, the Court pointed out that because the opposition was filed prior to 2007, when TTAB procedures were amended to require mandatory initial disclosures, Nestle was not required to specify in advance of trial the evidence it intended to present or the witnesses it intended to call. Further, for cases governed by the pre-2007 procedures, TTAB precedent holds that parties do not have a right to disclosure of the documents and witnesses that the opposing party intends to rely on at trial. The Federal Circuit agreed with the TTAB that, because Nestle objected to the discovery requests on various grounds, "[TTAB] precedent and procedures applicable to pre-2007 procedures . . . required Midwestern to move to compel production in order to test the sufficiency of Nestle's response." Slip op. at 6. "In view of Midwestern's failure to follow up on Nestle's offers to produce certain materials at a mutually agreeable time and place and to respond to narrower document requests, and . . . to test the sufficiency of Nestle's objections to the discovery requests by moving to compel the production of the requested materials," the Court held that the TTAB did not abuse its discretion by refusing to strike Nestle's evidence. *Id.* at 8-9.

**“While the [TTAB] has followed the federal rules with regard to discovery matters in most respects, it has not adopted those rules in toto, and it has retained discretion to adopt discovery rulings suited to matters before it in order to balance the parties’ interests.” Slip op. at 7.**

The Court held that the TTAB did not err in considering Nestle’s evidence of the fame that postdated the filing of Midwestern’s application. The Federal Circuit reasoned that Midwestern had misread the TTAB’s precedent on the issue, which holds that while such evidence is not relevant to the issue of dilution, it is relevant to the issue of likelihood of confusion.

On the merits, Midwestern argued that the TTAB erred in finding Midwestern’s WAGGIN’ STRIPS mark confusingly similar to Nestle’s BEGGIN’ STRIPS mark. The Federal Circuit disagreed, holding that “[s]ubstantial evidence support[ed] the [TTAB’s] finding that BEGGIN’ STRIPS, although not a famous mark, . . . enjoyed ‘at least a high degree of recognition’ that has rendered the mark ‘distinctive and strong and entitled to a broad level of protection.’” *Id.* at 11 (quoting *Palm Bay Imps., Inc. v. Veuve Clicquot Ponsardin Maison Fondée En 1772*, 396 F.3d 1369, 1375 (Fed. Cir. 2005)). “Although Nestle did not introduce consumer survey evidence in support of its showing of a likelihood of confusion, neither the [TTAB] nor [the Federal Circuit] . . . require[s] survey evidence in order to show a likelihood of confusion.” *Id.* at 13.

Judge Dyk concurred-in-part and dissented-in-part. Judge Dyk agreed with the majority’s resolution of the likelihood-of-confusion issue on the record, but disagreed with its approval of the process by which the TTAB reached its decision. Specifically, Judge Dyk stated that the majority’s holding that Nestle had no duty to produce the evidence on which it intended to rely and that Midwestern’s failure to file a motion to compel barred it from objecting to admission of that evidence are incorrect and conflict with the advisory committee notes and with decisions interpreting the Federal Rules of Civil Procedure.

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**“Hereby Assign” Language in Employment Agreement Automatically Assigned Rights to Employer Without the Need for an Additional Act**

*Cecilia Sanabria*

**Judges: Bryson, Dyk, O'Malley (author)**  
**[Appealed from D. Wyo., Judge Johnson]**

In *Preston v. Marathon Oil Co.*, Nos. 11-1013, -1026 (Fed. Cir. July 10, 2012), the Federal Circuit affirmed the district court's judgment that Yale Preston assigned his rights in U.S. Patent Nos. 6,959,764 (“the '764 patent”) and 7,207,385 (“the '385 patent”) to Marathon Oil Company (“Marathon”) pursuant to an employment agreement.

In February 2001, Marathon offered Preston employment as a relief pumper in Marathon's coal bed methane well operation in Wyoming. In addition to outlining Preston's responsibilities, compensation, and benefits, the letter indicated that Preston was hired as an at-will employee. A few days later, Preston countersigned the letter. Preston began working at Marathon sometime in March 2001.

In April 2001, Preston and Marathon entered into an employment agreement. The employment agreement defines “Intellectual Property” as inventions, discoveries, developments, etc., “made or conceived by EMPLOYEE during the term of employment with MARATHON which (1) relate to the present or reasonably anticipated business of the MARATHON GROUP, or (2) were made or created with the use of Confidential Information or any equipment, supplies, or facilities of the MARATHON GROUP.” Slip op. at 4. Regarding assignments of intellectual property, the employment agreement states that the “EMPLOYEE agrees to promptly disclose to MARATHON and does hereby assign to MARATHON all Intellectual Property, and EMPLOYEE agrees to execute such other documents as MARATHON may request in order to effectuate such assignment.” *Id.* at 5. Lastly, paragraph 4 of the employment agreement provides a list of the employee's unpatented inventions and unpublished writings, and indicates that Marathon agrees that such inventions are not intellectual property. Preston listed “CH<sub>4</sub> Resonating Manifold” in paragraph 4.

The technology-at-issue relates to the improvement of machinery used to extract methane gas from water saturated coal in a coal bed methane gas well. In August 2002, while working as a Supervisory Control and Data Acquisition Operator at Marathon, Preston first raised the idea of using baffles to reduce water in a methane well annulus to a coemployee. Over the 2002 Thanksgiving weekend, Preston created drawings of his baffle plates using one of Marathon's computers. In December 2002, Preston met with a Marathon engineer, Thomas Smith, to discuss his baffle system. Preston then hired a company on behalf of Marathon to make the baffle plates and begin installation in Marathon's wells. Preston personally participated in the installation of his baffle system in three wells. Preston's employment with Marathon ended in mid-April 2003.

While Preston was still employed at Marathon, Smith initiated Marathon's patenting process. Preston knew that the invention was going through Marathon's patenting process and did not object to Smith being a coinventor. On June 5, 2003, Preston filed for a patent application covering his baffle system, naming him as the sole inventor. That application ultimately issued as the '764 patent. About a year later, Marathon filed a patent application on the same system, naming both Smith and Preston as coinventors, which later issued as the '385 patent.

Preston offered inconsistent testimony at trial regarding when he first arrived at the idea for the baffle system. There is no dispute, however, that Preston never made the invention (i.e., physically constructed it) before joining Marathon.

In 2007, Marathon filed a lawsuit in Texas against Preston, alleging breach of contract for refusing to assign his '764 patent rights to Marathon. The suit was dismissed for lack of personal jurisdiction, and Marathon then filed the same suit in Wyoming state court. Preston counterclaimed for patent infringement and conversion. That suit was stayed pending resolution of this case. In 2008, Preston filed a complaint in the U.S. District Court for the District of Wyoming, asserting (1) patent infringement; (2) a declaration that Preston is the sole inventor of the '385 patent; (3) unjust enrichment based on Marathon's use of Preston's invention; (4) conversion based on Marathon's use of Preston's invention; (5) breach of implied contract based on an alleged implied contract that Marathon would compensate Preston for his invention; and (6) misappropriation of trade secrets. Marathon counterclaimed that Preston agreed to assign the rights of the '764 patent to Marathon.

On SJ, the district court entered SJ in favor of Marathon (1) that it had a shop right to practice Preston's baffle system invention; and (2) Preston's claims for unjust enrichment, conversion, and trade secret misappropriation were barred by the "shop rights" doctrine or because they were untimely. Following a bench trial, the district court found that Preston was the sole inventor of the '385 patent. The district court also found that Preston was required to assign his interests in both patents to Marathon under the employment agreement, and breached that agreement for failing to assign those rights. Both parties appealed.

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**"Even if we assume state law governs the issue and that state law would take a broader view of conception than would be applied normally in the patent context, we still find that an invention necessarily requires at least some definite understanding of what has been invented." Slip op. at 20.**

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On appeal, Preston argued that he did not have to assign his rights in the '385 and '764 patents to Marathon because (1) the employment agreement was invalid for lack of consideration; and (2) even if enforceable, the agreement did not function to assign rights of his inventions to Marathon.

Regarding the first issue, Preston argued that, under Wyoming law, absent additional consideration, the employment agreement was an unenforceable modification of the terms of his contract, as stated in the February 2001 letter. The district court disagreed with Preston's arguments and declined to certify the question to the Supreme Court of Wyoming. On appeal, however, the Federal Circuit certified to the Wyoming Supreme Court the question of whether continuing the employment of an existing at-will employee constitutes adequate consideration to support an agreement containing an intellectual property assignment provision under Wyoming law. The Supreme Court of Wyoming answered "yes," reasoning that the additional consideration is not necessary to support an intellectual property assignment and distinguishing noncompete provisions based, in part, on the sanctity of the right to earn a living.

Turning to the second issue, Preston argued that his invention cannot be considered intellectual property as defined by the agreement because he conceived of it before joining Marathon. According to Preston, if any element of the '385 and '764 patents was conceived outside of the period when he was employed

by Marathon, then Marathon is not entitled to the rights in those patents. The Federal Circuit discussed the district court's determination that the "invention," as recited in the employment agreement, requires both conception and reduction to practice, and disagreed with the district court's interpretation of patent law with respect to "invention." According to the Federal Circuit, the language of the agreement indicates that any "invention" that is "made or conceived" by an employee while employed at Marathon constitutes intellectual property. Thus, the Federal Circuit explained that if Preston's invention was not both made and conceived prior to his employment, it constitutes intellectual property. Because there was no dispute that Preston did not make his invention prior to joining Marathon, the '385 and '764 patents are considered intellectual property under the agreement.

Preston also argued that the assignment provision in the employment agreement cannot cover his invention because he listed "CH4 Resonating Manifold" under paragraph 4 of the agreement. Marathon argued that the patented invention is not a "CH4 Resonating Manifold." The Federal Circuit did not resolve the parties' dispute regarding the proper meaning of conception. Even taking the broader view, the Federal Circuit found that an invention requires at least some definite understanding of what has been invented. Based on the evidence of record, the Federal Circuit concluded that Preston was not in possession of an excludable invention before he joined Marathon.

After finding that the '385 and '764 patents were within the scope of the employment agreement, the Federal Circuit explained that the "hereby assign" language in the agreement served as an express assignment of rights in all future inventions that automatically assigned rights to Marathon without the need for an additional act. The Federal Circuit thus concluded that Marathon owned rights to the '385 and '764 patents. Thus, the Court did not reach the questions of whether Marathon owned a shop right to use Preston's invention and whether Smith was misjoined as an inventor in the '385 patent. Also, because the assignment was automatic, the Federal Circuit vacated the district court's finding that Preston breached his agreement by failing to execute an assignment of his rights.

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**August 2012**

### **In an Interference Proceeding, a Party Can Rely on a Claim to Priority Under § 120 to Overcome a § 135(b)(2) Bar**

*Matthew T. Nesbitt*

**Judges: Rader, Lourie (author), Moore**  
**[Appealed from Board]**

In *Loughlin v. Ling*, No. 11-1432 (Fed. Cir. July 11, 2012), the Federal Circuit affirmed the Board's determination that appellees' (collectively "Ling") claims involved in an interference with appellants (collectively "Loughlin") were not barred under 35 U.S.C. § 135(b)(2).

Ling filed U.S. Application No. 11/671,404 ("the '404 application") and provoked an interference with Loughlin's U.S. Application No. 10/845,624 ("the '624 application"). Ling filed the '404 application after the '624 application published and provoked the interference more than one year after its publication date. Ling's '404 application, however, claimed priority under 35 U.S.C. § 120 to U.S. Application No. 10/759,413 ("the '413 application"), which was filed before the '624 application.

After the PTO declared an interference, Loughlin moved for judgment under § 135(b)(2). Loughlin argued that Ling's attempt to provoke an interference was untimely because Ling's '404 application was "an application filed" after the publication date of Loughlin's '624 application and that Ling provoked the interference more than one year after the publication date of the '624 application. The Board denied Loughlin's motion, concluding that because Ling's '404 application claimed priority to the '413 application, § 135(b)(2) did not apply. The Board held that because Ling was entitled to a § 120 priority benefit to his '413 application, the '404 application had an earlier effective filing date and was not "an application filed" after Loughlin's application published. After the Board denied his motion, Loughlin requested adverse judgment, conceding that his entire case hinged on the Board's interpretation of § 135(b)(2).

On appeal, Loughlin argued that the Board erred by concluding that § 120 applies when considering the date of "an application filed" under § 135(b)(2). Loughlin argued that because the actual (not effective) filing date of Ling's '404 application was more than one year after the publication of Loughlin's '624 application, Ling was barred under § 135(b)(2) from provoking the interference. Ling countered that the Board correctly construed "an application filed" in § 135(b)(2) as including an application filed earlier and benefiting from the provisions of § 120. Ling alternatively argued that because Loughlin conceded priority and requested the entry of an adverse judgment, there was no final adverse decision from which he could appeal.

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**"[I]t would be absurd to hold that an applicant could rely on § 120 to antedate a bar under § 102 but not the bar under § 135(b)(2)." Slip op. at 10.**

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Addressing Ling's jurisdictional argument, the Federal Circuit concluded that Loughlin appropriately availed himself of Board Rule 127(b), which allows a party to request judgment against itself in an interference proceeding. The Court found that permitting Loughlin to request an adverse judgment and then appeal the underlying dispositive legal issue promotes, not frustrates, judicial economy. The Court also concluded that Loughlin satisfied 35 U.S.C. § 141, which permits a party to an interference who is dissatisfied with the Board's decision to appeal to the Federal Circuit. Because Loughlin ultimately lost the interference, there was no question that he was dissatisfied with the Board's decision.

Turning to the merits of the appeal, the Court next addressed Loughlin's argument that the Board erred in interpreting § 135(b)(2). The Court noted that § 120 permits an application to claim the benefit of an earlier filing date, such that the application is treated as having been effectively filed on the earlier date. Nothing in the statute limits its application to any specific grounds for rejection. Indeed, the Court noted that § 120 applies to 35 U.S.C. § 102(b), (d), and (e). Loughlin failed to provide any convincing reason why the priority benefit of § 120 should not also apply to § 135(b)(2). As a result, the Federal Circuit concluded that because Ling's '404 application was an application entitled to priority under § 120, it was also an application for purposes of § 135(b)(2).

The Federal Circuit also rejected Loughlin's argument that § 135(b)(2) is a "staleness" provision that requires a party to provoke an interference in a timely manner, instead of waiting several years, as Ling did. The Court acknowledged the strength of this argument, but nonetheless concluded that it must fail in light of § 120's granting of priority benefit to any application meeting its requirements, including Ling's '404 application. In addition, the Court noted that the Board's decision was consistent with prior Board decisions, which held that the phrase "an application filed" in § 135(b)(2) was clear on its face that it included the benefit of § 120. Accordingly, the Court affirmed the Board's decision that Ling's interfering claims are not barred by 35 U.S.C. § 135(b)(2), and, thus, that the Board correctly canceled claim 1.

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**August 2012**

### **Fairness Considerations Required Under Ninth Circuit Law When Determining Scope of Extrajudicial Waiver of Attorney-Client Privilege**

*K. Kevin Mun*

**Judges: Moore, Clevenger (author), Reyna (*dubitante*)**

**[Appealed from N.D. Cal., Judge Fogel]**

In *Wi-LAN, Inc. v. LG Electronics, Inc.*, No. 11-1626 (Fed. Cir. July 13, 2012), the Federal Circuit vacated and remanded the district court's order requiring Kilpatrick Townsend & Stockton LLP ("Kilpatrick"), counsel for Wi-LAN, Inc. ("Wi-LAN"), to produce certain communications between Kilpatrick and Wi-LAN, holding that the district court applied the improper analysis in determining the scope of waiver of the attorney-client privilege. The Court also vacated and remanded the district court's contempt sanctions against Kilpatrick.

In 2006, LG Electronics, Inc. ("LG") took a license from Wi-LAN on certain patents, but subsequently refused to pay royalties because it claimed that it did not practice those patents. In an attempt to convince LG to revise its position and pay royalties, Wi-LAN forwarded to LG an opinion letter prepared by its counsel, Kilpatrick. The letter was marked "CONFIDENTIAL" on every page and contained a detailed analysis of Wi-LAN's patent rights as applied to LG's technology. Wi-LAN did not dispute that its disclosure of the letter to LG was intentional.

The letter did not convince LG, and Wi-LAN sued LG for patent infringement in the Southern District of New York, identifying Kilpatrick as litigation counsel on its complaint. During discovery, LG served a subpoena on Kilpatrick's Palo Alto office for documents and testimony relating to the subject matter of the letter. Kilpatrick moved the district court to quash the subpoena, arguing that any waiver should be limited to the opinion letter and that fairness does not compel a subject matter waiver. The magistrate judge and the district court denied the motion and ordered Kilpatrick to produce certain communications between Kilpatrick and Wi-LAN. Kilpatrick did not, however, timely comply with the order. Instead, it sought relief by filing a motion for certification of an interlocutory appeal, which was rejected on jurisdictional grounds. At this point, several months had passed since service of the subpoena, and the district court, after considering the case, found Kilpatrick in contempt and entered sanctions in the amount of LG's costs and fees. Kilpatrick appealed.

The question presented on appeal is whether, under the Ninth Circuit law, the fairness consideration, afforded under Fed. R. Evid. 502(a) to a party who expressly waives attorney-client privilege during litigation, should equally be available to one whose disclosure occurred prior to litigation. Kilpatrick argued that fairness balancing should always be available to one who expressly waives privilege prelitigation and, under such a test, the scope of waiver should be essentially limited to the letter itself without extending it to any other communication between Wi-LAN and Kilpatrick because LG is unable to articulate any prejudice. LG, on the other hand, argued that fairness balancing must never be available

in those circumstances and that an extrajudicial waiver of the attorney-client privilege must always extend beyond the precise matter disclosed.

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**“As between the two directions put forward by the parties—one requiring fairness balancing for extrajudicial disclosures, the other barring it—we conclude that the Ninth Circuit’s cases support the former far better than the latter. The Ninth Circuit has repeatedly endorsed fairness balancing in a variety of circumstances; more to the point it has never set forth, either expressly or inherently, any rule barring fairness’s application to extrajudicial disclosures.” Slip op. at 16.**

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Noting that the Ninth Circuit has not spoken squarely on the issue of whether fairness balancing is either required or proscribed in this case, the Court analyzed relevant Ninth Circuit and other regional circuit case law to determine what the Ninth Circuit would hold, were the question presented to it. After the analysis, the Court concluded that the Ninth Circuit would find fairness balancing to be required in cases where the waiver of the attorney-client privilege occurred during an extrajudicial setting. The Court reasoned that the Ninth Circuit has favorably recognized the strong precedent of fairness balancing in the last twenty-five years and that it found nothing in the Ninth Circuit law that would simultaneously require district courts to apply fairness balancing to privilege waivers made during litigation, but blocking them from applying it to extrajudicial waivers. On the policy consideration, the Court further noted that any rule barring application of fairness balancing to extrajudicial disclosures seemed bad policy and it would decline to adopt it on the Ninth Circuit’s behalf. For these reasons, the Court concluded that the district court erred by rejecting considerations of fairness—i.e., whether LG would be unfairly prejudiced by Wi-LAN’s assertion of privilege—when assessing the scope of waiver. The Court, however, declined to evaluate fairness itself and remanded for further proceedings.

Regarding the contempt sanctions, the Court noted that, even though it agreed with Kilpatrick that the district court erred in applying privilege doctrine, that is not the same as excusing failure to comply with a judicial order. Further, noting that the Ninth Circuit generally defers to a trial court’s finding of contempt, the Court declined to determine whether and to what extent Kilpatrick should pay a penalty for its failure. Accordingly, the Court vacated the district court’s entry of contempt sanctions against Kilpatrick but noted that the district court would have discretion to revisit the issue on remand.

Judge Reyna filed an opinion *dubitante*, raising doubts about the majority’s conclusion. Specifically, Judge Reyna stated that his examination of the trend in law that the majority discerns does not lead to certainty and that “even a route that lies opposite the route charted by the majority is as good a route as any.” Reyna op. *dubitante* at 2.

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**August 2012**

### **Machine-or-Transformation Test Fails When Computer in Patent Claims Performs Only Calculations**

*Fan Wu\**

**Judges: Lourie (author), Prost, Wallach**  
**[Appealed from E.D. Mo., Judge Jackson]**

In *Bancorp Services, L.L.C. v. Sun Life Assurance Co. of Canada (U.S.)*, No. 11-1467 (Fed. Cir. July 26, 2012), the Federal Circuit affirmed the district court's grant of SJ in favor of Sun Life Assurance Company of Canada (U.S.) ("Sun Life") and held the patents-in-suit invalid.

Bancorp Services, L.L.C. ("Bancorp") owns U.S. Patent Nos. 7,249,037 ("the '037 patent") and 5,926,792 ("the '792 patent"), which are directed to systems and methods for administering and tracking the value of life insurance policies in separate accounts. Under separate account plans, the policy owner pays an additional premium beyond that required to fund the death benefit, and specifies the types of assets in which the additional value is invested. The value of a separate account policy fluctuates with the market value of the underlying investment assets. Stable value protected investments address that volatility by providing a mechanism for stabilizing the reported value of the policies, wherein a third-party guarantor (the "stable value protected writer") guarantees a particular value (the "book value") of the life insurance policy regardless of its market value. To offset the risk to a potential guarantor for providing that service, the guarantor is paid a fee and restrictions are placed on the policyholder's right to cash in on the policy. The asserted patents "provide[] a computerized means for tracking the book value and market value of the policies and calculating the credits representing the amount the stable value protected writer must guarantee and pay should the policy be paid out prematurely." Slip op. at 3 (alteration in original) (quoting *Bancorp Servs., L.L.C. v. Hartford Life Ins. Co.*, 359 F.3d 1367, 1369 (Fed. Cir. 2004)).

The asserted patents disclose specific formulae for determining the values required to manage a stable value protected life insurance policy. The specification discloses, for example, creating and initializing a fund by performing particular "calculations and comparisons" to determine an "initial unit value of the policy." *Id.* at 4.

Bancorp sued Sun Life for infringement of the '792 patent. In 2002, in a separate patent infringement suit filed by Bancorp, the district court invalidated all claims of the '792 patent for indefiniteness. See *Bancorp Servs., L.L.C. v. Hartford Life Ins. Co.*, No. 4:00-CV-70, 2002 WL 32727071 (E.D. Mo. Feb. 13, 2002). Bancorp and Sun Life then jointly stipulated to dismiss their case due to collateral estoppel arising from the district court's invalidity ruling in *Hartford*. The parties further agreed that, if the district court's *Hartford* ruling was reversed on appeal, then their case would be reinstated. The district court entered a judgment of conditional dismissal. In 2004, the Federal Circuit reversed on appeal and the district court vacated the dismissal. Bancorp then filed an amended complaint adding a claim for infringement of the '037 patent. Sun Life subsequently moved for SJ of invalidity under 35 U.S.C. § 101 for failure to claim

patent-eligible subject matter. The district court stayed the briefing on Sun Life's motion pending the Supreme Court's decision in *Bilski v. Kappos*, 130 S. Ct. 3218 (2010).

After *Bilski* was decided, the district court granted Sun Life's motion for SJ of invalidity under § 101 without addressing the parties' claim construction dispute. The district court concluded that there was no meaningful distinction between the asserted "process," "system," and "media" claims, and that each would be analyzed as a process claim. Applying the machine-or-transformation test, the district court noted that, for the machine prong, the specified computer components are no more than objects on which the claimed methods operate, and that the central processor is nothing more than a general purpose computer programmed in an unspecified manner. When analyzing the transformation prong, the district court determined that the claims do not effect a transformation, as they do not transform the raw data into anything other than more data and are not representations of any physically existing objects. Accordingly, the district court concluded that the claims were invalid under § 101 as directed to patent-ineligible abstract ideas, and denied Bancorp's motion for reconsideration and entered final judgment in favor of Sun Life.

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**"To salvage an otherwise patent-ineligible process, a computer must be integral to the claimed invention, facilitating the process in a way that a person making calculations or computations could not." Slip op. at 19.**

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On appeal, the Federal Circuit first noted that resolving claim construction disputes prior to a § 101 analysis is not required. The Court found that the parties' disagreement boiled down to whether the claimed systems and methods require a computer. The Court found that, although the district court declined to construe the claims, the issue on appeal could be resolved. The Court proceeded to construe, holding that the asserted system claims require "one or more computers." Specifically, the Court concluded that the system claims require particular computing devices, such as a "generator," a "calculator," and "digital storage." Regarding the computer-readable medium claims, the specification explains that the plain and ordinary meaning of the term refers generally to "high density removable storage means," such as a "compact disc."

With regard to the method claims, the Federal Circuit first distinguished between the independent and dependent claims, finding that the plain language of the independent method claims do not require a computer and that each independent method claim is followed by a dependent claim requiring that the method be "performed by a computer." The Court applied the doctrine of claim differentiation, which presumes that the independent claims do not require implementation on a computer.

The Court turned next to the issue of patent eligibility and concluded that, without computer limitations, the underlying inventions of those patents are abstract ideas, which are patent ineligible under § 101. The Federal Circuit explained that, under its precedent, it looks not just to the type of claim but also to the underlying invention for patent-eligibility purposes. In this case, the Court held that the district court correctly treated the system and medium claims the same for patent-eligibility purposes. For example, the Court compared the language in method claim 9 of the '037 patent with that in medium claim 18 and system claim 1, and the only difference the Court saw between the claims is the form in which they were drafted.

The Federal Circuit disagreed with Bancorp's argument that its claims are limited to being performed on a computer, finding that any recited computer is not integral to the claimed invention by facilitating the process in a way that a person making calculations or computations could not. The Court distinguished the claims-at-issue here with those in *Research Corp. Technology, Inc. v. Microsoft Corp.*, 627 F.3d 859 (Fed. Cir. 2010), and found two critical differences. First, the Court found that the claimed processes in *Research Corp.* "plainly represented improvements to computer technologies in the marketplace." Slip op. at 21. Second, the method in *Research Corp.* was dependent upon the computer



components required to perform it.

The Court also distinguished *SiRF Technology, Inc. v. ITC*, 601 F.3d 1319 (Fed. Cir. 2010), explaining that, in *SiRF*, the GPS receiver is a required machine, but in the present case, the calculations could be performed entirely in the human mind. Without the computer-based limitations, the only feature left in the claims is a matter of mere mathematical computation. Therefore, the Court concluded that the district court correctly held that the '037 and '792 patents are invalid under § 101 because Bancorp's claimed abstract idea impermissibly "preempt[s]" the mathematical concept of managing a stable value protected life insurance policy.

The Court also rejected Bancorp's argument that its claims are not abstract because they are limited to use in the life insurance market, because the Supreme Court in *Bilski* discredited a similar argument. Accordingly, the Court affirmed the district court's decision and held that Bancorp's '037 and '792 patents are invalid under § 101.

*\*Fan Wu is a Summer Law Clerk at Finnegan.*

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### **Pendent Appellate Jurisdiction Under *Swint* Does Not Generally Extend to Appeals of Unquantified Sanctions**

*Anthony H. Sheh*

**Judges: Newman (dissenting), Linn (author), Reyna**  
**[Appealed from S.D. Fla., Judge Jordan]**

In *Orenshteyn v. Citrix Systems, Inc.*, No. 11-1308 (Fed. Cir. July 26, 2012), the Federal Circuit dismissed an appeal from a district court order granting sanctions to Citrix Systems, Inc. (“Citrix”) because an unquantified award of sanctions is not an appealable final decision.

Alexander S. Orenshteyn filed a complaint in 2002 against Citrix alleging patent infringement. In 2003, the district court granted Citrix’s motions for SJ and Fed. R. Civ. P. 11 sanctions against both Orenshteyn and his prior counsel. The Federal Circuit subsequently reversed both decisions and remanded the case in 2009. As of the date of the Federal Circuit’s first order, the district court had yet to determine the amount of sanctions. The district court on remand again granted motions for SJ and sanctions in favor of Citrix, and referred determination of the sanctions amount to a magistrate judge.

Before the sanctions were quantified, Orenshteyn appealed both the final judgment and the grant of sanctions. Citrix moved to dismiss the sanctions portion of the appeal, arguing that the district court’s order of unquantified sanctions was not a final appealable decision and thus outside of the Court’s appellate jurisdiction.

The Federal Circuit agreed. The Court first disposed of the possible statutory bases of its jurisdiction. While the district court’s grant of SJ to Citrix was “final and reviewable,” its sanctions order was neither “final” as required by 28 U.S.C. § 1295(a)(1), nor an appealable interlocutory order as specified in 28 U.S.C. § 1292. Slip op. at 2. Without a statutory basis, the Court turned its focus to considering whether its “pendent appellate jurisdiction” should extend to Orenshteyn’s sanctions appeal.

Here, the Court found its reasoning guided by *Swint v. Chambers County Commission*, 514 U.S. 35 (1995), in which the Supreme Court held that the courts of appeal may exercise pendent jurisdiction over a nonappealable decision when it is either “inextricably intertwined” with an appealable decision, or “when review of the non-appealable decision is necessary to review the appealable one.” Slip op. at 4 (citing *Swint*, 514 U.S. at 51). While recognizing that *Swint* declined to “definitively or preemptively settle” the scope of pendent appellate jurisdiction, the Court observed that subsequent Supreme Court cases and its own precedent had cemented the two tests of *Swint* as the relevant standard. “[N]otwithstanding the qualifying language in *Swint*, this [C]ourt cannot exercise pendent jurisdiction unless at least one of the *Swint* tests is met . . . .” *Id.*

The Federal Circuit then considered its application of *Swint* in *Falana v. Kent State University*, 669 F.3d

1349 (Fed. Cir. 2012). *Falana* involved an appeal of a final district court decision on inventorship along with a nonfinal award of unquantified attorneys' fees; the Court had dismissed the appeal of unquantified attorneys' fees by relying on *Swint*. Slip op. at 5 (citing *Falana*, 669 F.3d at 1359-62). The Court considered *Falana* to be its closest controlling precedent, thus deciding the present matter in favor of Citrix.

The Court emphasized the consistency of its decision in that case with other circuit dispositions and addressed rare cases in which other circuits took jurisdiction over appeals involving an unquantified award of attorneys' fees. *Id.* at 6. The Court noted that even those cases permitting jurisdiction satisfied one of the *Swint* tests—both the appealable and nonappealable district court decisions in these cases shared “essentially the same legal basis” and thus were “inextricably intertwined.” *Id.* at 6-7 (citing *In re Dyer*, 322 F.3d 1178 (9th Cir. 2003); *Thornton v. Gen. Motors Corp.*, 136 F.3d 450 (5th Cir. 1998); *M & C Corp. v. Erwin Behr GmbH & Co., KG*, 289 F. App'x 927 (6th Cir. 2008) (unpublished)). The Court observed that, in contrast to these cases, the orders involved in Orenshteyn's appeal had “different legal bases requiring different legal analyses.” *Id.* at 7. Accordingly, the Court saw no reason to deviate from *Falana*, as doing so “would be inconsistent with the standards established in *Swint*.” *Id.*

Finally, the Federal Circuit observed that the exercise of pendent jurisdiction is discretionary. Because affirming the district court's sanctions order would result in a separate appeal of the sanctions amount, the Court saw “little judicial efficiency in hearing the non-final sanctions issue with the decision on the merits.” *Id.* at 12-13. Therefore, even if pendent jurisdiction applied to Orenshteyn's sanctions appeal, the Court indicated that it would decline to hear the appeal in order to avoid piecemeal litigation. *Id.* at 13. Therefore, consistent with its decision in *Falana* and in accordance with *Swint*, the Court dismissed Orenshteyn's sanctions appeal as neither inextricably intertwined with nor necessary to review the district court's decision on the merits for SJ.

Judge Newman dissented from the majority's decision not to include the appeal of the sanctions because attorneys' fees and costs had not been quantified. In Judge Newman's view, the decision is inefficient because “the final judgment of invalidity, and the attorney fees and costs awarded as sanctions, arise from the same factual and legal considerations, and will now require further redundancy of effort, by yet a third panel of [the Federal Circuit].” Newman Dissent at 1-2. Judge Newman found *Majorette Toys (U.S.), Inc. v. Darda, Inc.*, 798 F.2d 1390 (Fed. Cir. 1986), controlling, where the Federal Circuit reasoned that the appeal of the final judgment, together with appeal of the accompanying award of sanctions, harmonizes with the objectives of 28 U.S.C. § 1292(c)(2). By contrast, Judge Newman found that, in the cases relied upon by the panel majority, the sanctions were not appealed along with a final judgment on the merits, as they were here.

Judge Newman disagreed with the majority that *Majorette Toys* was superseded or overturned by *Swint*. In Judge Newman's view, *Swint* held only that efficiency did not justify jurisdiction in that case, not that efficiency was no longer a relevant consideration. Indeed, Judge Newman explained that “[i]n resolving questions of appealability, considerations of judicial efficiency and economy are routinely at the forefront.” Newman Dissent at 7.

Judge Newman distinguished *Swint* from the present appeal and from *Majorette Toys* in three ways. First, Judge Newman explained that in *Swint*, no efficiency would have been gained by consolidated review. Second, there was no final judgment in *Swint*; the qualified immunity decision was appealable only under the collateral order doctrine. Third, the court in *Swint* considered “pendent party” appellant jurisdiction. Here, by contrast, Orenshteyn sought merely to appeal the award of attorneys' fees against himself, along with the judgment against himself on the merits, so there was no pendent party issue. In sum, Judge Newman believed that both precedent and efficiency supported acceptance of the appeal of the merits together with the sanction.

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**August 2012**

### **Case Dismissed and Sanctions Imposed for Repeated and Willful Failure to Respond to Contention Interrogatory**

*Hin Au*

**Judges: Bryson (author), Dyk, Moore**  
**[Appealed from E.D.N.Y., Judge Seybert]**

In *Rates Technology, Inc. v. Mediatix Telecom, Inc.*, No. 11-1384 (Fed. Cir. July 26, 2012), the Federal Circuit affirmed a district court's imposition of discovery sanctions against the lead plaintiff attorney in a patent infringement action where the plaintiff repeatedly and willfully failed to respond to a contention interrogatory.

Rates Technology, Inc. ("RTI") sued Mediatix Telecom, Inc. ("Mediatix") for infringement of two patents relating to systems for minimizing the cost of placing long-distance telephone calls. Mediatix propounded interrogatories seeking RTI's theory of infringement, and a magistrate judge twice ordered RTI to provide a meaningful response, but RTI failed to do so. The magistrate judge ordered Mediatix to provide discovery to assist RTI in responding to the interrogatories, and gave RTI ten days upon receiving Mediatix's discovery responses to object. Mediatix produced thousands of pages of technical drawings and other documents to RTI. RTI did not object to the production within ten days or produce a meaningful response. The magistrate judge ordered RTI to respond to the contention interrogatories for the third time.

Almost five months after Mediatix's production, RTI objected to it and sought leave to serve additional interrogatories on Mediatix, which would exceed the twenty-five interrogatories allowed under Fed. R. Civ. P. 33(a)(1). RTI later claimed that responses to the requested interrogatories were necessary for RTI to respond to Mediatix's contention interrogatories. The magistrate judge for a fourth time ordered RTI to respond to the contention interrogatories, and warned RTI and its lead counsel, Mr. James Hicks, that she would recommend dismissing the case if RTI failed to do so.

RTI provided a supplemental discovery response to Mediatix, which the magistrate judge found inadequate. Mediatix moved for sanctions, seeking dismissal of the suit and attorneys' fees. The magistrate judge filed a report and recommendation agreeing with Mediatix that the case should be dismissed. The magistrate judge found that the prefiling inquiry conducted by RTI and Mr. Hicks was not reasonable or made in good faith, and denied RTI's request to serve additional interrogatories. The magistrate judge assessed attorneys' fees equally against RTI and Mr. Hicks, stating that the sanctions motion brought under Fed. R. Civ. P. 37(b) put Mr. Hicks on notice of monetary sanctions if the district court found a violation. The district court entered an order adopting the magistrate judge's recommendations. Mr. Hicks appealed.

**“[A] full evidentiary hearing is not required [for due process]; the opportunity to respond by brief or oral argument may suffice.” Slip op. at 11 (quoting *In re 60 E. 80th St. Equities, Inc.*, 218 F.3d 109, 117 (2d Cir. 2000)).**

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On appeal, the Federal Circuit rejected all of Mr. Hicks’s arguments. First, the Federal Circuit rejected Mr. Hicks’s assertion that he was improperly sanctioned for failing to produce information he did not have. The Court recognized that, unlike fact interrogatories, the contention interrogatories-at-issue simply asked Mr. Hicks for RTI’s theory of infringement. The Court held that Mr. Hicks had the information necessary to respond to Mediatix’s interrogatories, noting that RTI did not object to Mediatix’s production within the permitted ten days.

Second, the Court rejected Mr. Hicks’s argument that he was denied adequate notice of the possibility of sanctions. Specifically, the Court found that the magistrate judge’s final warning to RTI and Mr. Hicks to comply with the district court’s directives and Mediatix’s motion for sanctions under Rule 37(b) placed Mr. Hicks on clear notice of the possibility that he would be subject to personal monetary sanctions.

Third, the Court also rejected Mr. Hicks’s argument that the magistrate judge abused her discretion in denying his motion to serve additional interrogatories. The Court found that RTI had not persuasively explained a need to serve more than twenty-five interrogatories, and that RTI should have been able to answer Mediatix’s contention interrogatories without serving additional discovery requests.

Fourth, the Court rejected Mr. Hicks’s argument that he could not be sanctioned because he did not personally violate a discovery order or advise his client to do so. The Court held that Mr. Hicks, as lead counsel for RTI, had a duty to comply with the district court’s orders. The Court rejected Mr. Hicks’s attempt to shift the blame for discovery abuses to another attorney who was not listed on the district court’s docket.

Finally, the Court rejected Mr. Hicks’s argument that the magistrate judge and the district court abused their discretion in failing to grant him an opportunity for oral argument on the motion for sanctions. The Court held that, “[u]nder Second Circuit law, which applies to this non-patent issue arising from a district court in that circuit, there is no general right to make an oral presentation in civil matters, even on dispositive motions.” Slip op. at 11. Although “due process requires that courts provide notice and opportunity to be heard,” “a full evidentiary hearing is not required; the opportunity to respond by brief or oral argument may suffice.” *Id.* (quoting *In re 60 E. 80th St. Equities, Inc.*, 218 F.3d 109, 117 (2d Cir. 2000)). The Court noted that Mr. Hicks had the opportunity to address the sanctions both orally at a hearing and with written briefs.

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### **Anticipatory Nonpatent Publications Are Presumed Enabled**

*Troy L. Gwartney*

**Judges: Rader, Lourie (author), Bryson**  
**[Appealed from Board]**

In *In re Antor Media Corp.*, No. 11-1465 (Fed. Cir. July 27, 2012), the Federal Circuit affirmed the Board's decision rejecting on reexamination claims of U.S. Patent No. 5,734,961 ("the '961 patent") as anticipated or obvious.

Antor Media Corporation ("Antor") owns the '961 patent, which relates to a method and apparatus transmitting information recorded on digital disks from a central server to subscribers via a high data rate telecommunications network. In a consolidated five-way *ex parte* reexamination, the PTO rejected all claims under reexamination as anticipated or obvious over four prior art references. Antor appealed to the Board, arguing that the claims were not obvious or anticipated and that two of the references were not enabled. The PTO did not present any rebuttal evidence regarding enablement. The Board found that Antor did not show that the references were not enabling nor required undue experimentation. Antor appealed.

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**“[W]e now hold that a prior art printed publication cited by an examiner is presumptively enabling barring any showing to the contrary by a patent applicant or patentee.” Slip op. at 7.**

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Antor argued that the Board erred by holding that prior art publications cited by an examiner are presumptively enabling during prosecution. The Court noted that “both claimed and unclaimed materials disclosed in a patent are presumptively enabling . . . in the district court as well as the PTO, placing the burden on the patentee to show that unclaimed disclosures in a prior art patent are not enabling.” Slip op. at 7 (citing *Amgen Inc. v. Hoechst Marion Roussel, Inc.*, 314 F.3d 1313, 1355 (Fed. Cir. 2003)). The Court extended this holding to find that “a prior art printed publication cited by an examiner is presumptively enabling barring any showing to the contrary by a patent applicant or patentee.” *Id.*

“[D]uring patent prosecution, an examiner is entitled to reject claims as anticipated by a prior art publication or patent without conducting an inquiry into whether or not that prior art reference is enabling.” *Id.* at 10. The Court held that “[a]s long as an examiner makes a proper prima facie case of anticipation by giving adequate notice under § 132, the burden shifts to the applicant to submit rebuttal evidence of nonenablement.” *Id.*

Regarding the rejections, the Court found that the Board thoroughly reviewed Antor's allegations

regarding the enablement of the Ghafoor reference. Antor did not rebut the presumption that Ghafoor was enabling, because it did not show that undue experimentation would be needed to practice the claimed invention. The Court held that “the mere use of forward-looking language (such as terms like ‘should’) does not show one way or another whether a person of ordinary skill in the art would have to engage in undue experimentation to perform the claimed invention.” *Id.* at 11. “[T]he verb tense and word choice used in a prior art reference, taken without an understanding of the state of the art and the nature of the invention, shed no light on enablement.” *Id.*

In response to Antor’s argument that the MINOS reference is not enabling, the Court noted that a reference can qualify as prior art in determining obviousness, independent of enablement. The Court held that the claims were obvious, and that the Board correctly found that Antor’s licenses proffered for secondary consideration of nonobviousness were insufficient to overcome the prima facie case of obviousness. “[W]ithout a showing of nexus, ‘the mere existence of . . . licenses is insufficient to overcome the conclusion of obviousness.’” *Id.* at 18-19 (second alteration in original) (quoting *Iron Grip Barbell Co. v. USA Sports, Inc.*, 392 F.3d 1317, 1324 (Fed. Cir. 2004)).

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### **Arguments During Prosecution About Prior Art, Without Relation to Invention, Does Not Invoke Doctrine of Prosecution Disclaimer**

*Benjamin H. Huh*

**Judges: Rader (author), Prost, Moore**

**[Appealed from C.D. Cal., Judge Zouhary]**

In *Grober v. Mako Products, Inc.*, Nos. 10-1519, -1527 (Fed. Cir. July 30, 2012), the Federal Circuit vacated the district court's construction of the claim term "payload platform," vacated the grant of SJ of noninfringement, and remanded for further proceedings. Further, the Court dismissed a motion for sanctions and attorneys' fees in light of the vacated grant of SJ. In addition, the Court affirmed the district court's personal jurisdiction determination.

Appellant David Grober invented a platform that stabilizes a camera for filming motion pictures from moving vehicles and obtained U.S. Patent No. 6,611,662 ("the '662 patent"). Grober and Voice International, Inc. (collectively "Grober") sued Mako Products, Inc.; Air Sea Land Productions, Inc.; CineVideoTech, Inc.; Spectrum Effects, Inc.; Blue Sky Aerials, Inc.; Jordan Klein, Sr.; Jordan Klein, Jr.; and Oppenheimer Cine Rental, LLC (collectively "Mako"), alleging that their manufacture, sale, and lease of a movie stabilization device, known as the MakoHead, infringed the '662 patent. The Kleins—Jordan Klein, Sr. and Jordan Klein, Jr.—are the only shareholders of defendant, Mako Products, Inc., which is a Florida corporation with its only place of business in Florida. Oppenheimer Cine Rental, LLC ("Oppenheimer") is a rental company of movie and television industry products, including the MakoHead, and is located in Washington. The district court dismissed the Kleins and Oppenheimer for lack of personal jurisdiction.

Shortly after the complaint was filed, Mako commenced an *inter partes* reexamination of the '662 patent before the PTO. During reexamination, the patentee made several statements regarding the placement of prior art sensors in relation to the element identified by the patent examiner as the "payload platform" in the prior art.

Before the *Markman* hearing, the parties proposed competing constructions of the term "payload platform." Mako limited the term to a "horizontal surface or plate" upon which the device is mounted or affixed. Grober, on the other hand, included the three-dimensional "supporting structure" of the "horizontal surface or plate."

Based in part on the statements made during reexamination, the district court construed the claim term "payload platform" to mean "the horizontal plate, piece of surface upon which the device (e.g., a camera) is directly mounted upon or affixed to." Based on its claim construction, the district court then sua sponte concluded that the MakoHead did not infringe the '662 patent and granted SJ of noninfringement. The district court also denied Mako's requests for attorneys' fees and costs.

**“The trial court erroneously inferred that Grober’s reference to the reexamination requestors’ arguments (equating the prior art structures with the claim elements) in effect adopted those arguments as his definition of his invention. At no point, however, does Grober adopt those arguments as an accurate description of his invention. Grober distinguished the arguments but did not admit that they properly characterized the invention.” Slip op. at 9-10.**

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On appeal, the Federal Circuit first addressed the construction of the term “payload platform.” The Court concluded that the district court improperly narrowed the term “payload platform,” based on statements the patentee made during reexamination only about the prior art and not his invention. In reaching this conclusion, the Court reiterated that a claim’s scope may be narrowed under the doctrine of prosecution disclaimer when the patentee makes a “clear and unmistakable disavowal of scope during prosecution.” Slip op. at 8 (quoting *Computer Docking Station Corp. v. Dell, Inc.*, 519 F.3d 1366, 1374-75 (Fed. Cir. 2008)). The Court specifically noted that the district court erroneously inferred that the patentee’s reference to the reexamination requestors’ arguments in effect adopted those arguments as his definition of his invention. *Id.* at 9-10. Thus, the Court found that these ambiguous statements regarding the prior art do not disavow or even clearly describe the structure of the claimed “payload platform” as it relates to the invention. Accordingly, the Federal Circuit construed “payload platform” to mean “a three-dimensional structure upon which the payload (e.g., a camera) is directly mounted or affixed to.” Based on the Court’s amended claim construction, the Court concluded that the district court erred in finding that the MakoHead did not infringe the ‘662 patent.

The Court stated that the district court’s power to enter SJ does not permit it to bypass performing a complete patent infringement analysis. Here, the Court explained, the district court failed to perform the full two-step analysis required for patent infringement because the adopted claim construction did not entirely dispose of the case. Indeed, several claims did not include the construed term. Moreover, the Court noted that the district court did not place the accused device alongside each asserted claim for a complete comparison. The Court therefore vacated the district court’s grant of SJ of noninfringement.

Turning to personal jurisdiction, the Federal Circuit concluded that the district court properly dismissed the Kleins and Oppenheimer for lack of personal jurisdiction. Because the Kleins are the sole shareholders of Mako Products, Inc., the Court concluded that the Kleins are buffered by the fiduciary shield doctrine because their official duties were their only contact with California. Further, the Court affirmed the district court’s finding of no general or specific jurisdiction over Oppenheimer. In particular, the Court agreed with the district court that Oppenheimer had very limited contacts with California. Also, Grober failed to show that Oppenheimer had sufficient contacts with California to warrant specific jurisdiction, when it could not establish any activity directed with the state of California except for a nationally distributed advertisement in a magazine based in California.

Finally, the Court dismissed Mako’s motion under Fed. R. Civ. P. 11 and 35 U.S.C. § 285 seeking attorneys’ fees and litigation costs. In light of the Court’s decision to vacate the grant of SJ, the cross-appeal was dismissed as moot.

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### **A Company May Draft Its Own Use Code When Corrections Are Required Under 21 U.S.C. § 355(j)(5)(C)(ii)(I)**

*Christopher M. Kurpinski*

**Judges:** Rader (author), Clevenger, Dyk (concurring-in-part and dissenting-in-part)  
**[Appealed from E.D. Mich., Judge Cohn]**

In *Novo Nordisk A/S v. Caraco Pharmaceutical Laboratories, Ltd.*, No. 10-1001 (Fed. Cir. July 30, 2012), the Federal Circuit affirmed-in-part and modified-in-part the district court's injunction requiring Novo Nordisk A/S and Novo Nordisk, Inc. (collectively "Novo") to reinstate its prior use code.

Novo's U.S. Patent No. 6,677,358 ("the '358 patent") claims one of the three FDA-approved methods of using repaglinide. Novo's current use code covers all three of the methods. The district court entered an injunction under 21 U.S.C. § 355(j)(5)(C)(ii)(I) requiring Novo to reinstate its prior use code. Caraco Pharmaceutical Laboratories, Ltd. and Sun Pharmaceutical Industries, Ltd. (collectively "Caraco") moved for summary affirmance of the injunction.

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**“[A]n appropriate order granting relief under 21 U.S.C. § 355(j)(5)(C)(ii)(I) will give the branded company the opportunity to draft its own corrected use code.” Slip op. at 4.**

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The Court held that while the district court was correct in issuing an injunction requiring Novo to correct its use code, it abused its discretion in dictating the precise terms of the use code. “[T]he counterclaim provided by 21 U.S.C. § 355(j)(5)(C)(ii)(I) can be used ‘to force correction of a use code that inaccurately describes the brand’s patent as covering a particular method of using the drug in question.’” Slip op. at 2 (quoting *Caraco Pharm. Labs., Ltd. v. Novo Nordisk A/S*, 132 S. Ct. 1670, 1675 (2012) (“*Caraco I*”). The Court held that “[i]n this context, an appropriate order granting relief . . . will give the branded company the opportunity to draft its own corrected use code.” *Id.* at 4.

The Court noted that a use code may not “sweep more broadly than the patent,” *id.* (quoting *Caraco I*, 132 S. Ct. at 1683 n.7), but rather “must accurately describe . . . the approved method of use claimed in the patent,” *id.* (citing 21 C.F.R. § 314.53(c)(2)(ii)(P)(3)). “To be clear, it is appropriate for district courts to construe the scope of the patent claims and provide clear limits on the appropriate scope of the corresponding use code.” *Id.* “Within those limits, the branded company is given the opportunity to propose the specific language of the use code.” *Id.* The Court modified the injunction to permit Novo to draft an appropriate use code in light of its guidance, and noted that if it is overbroad, the district court has the power to correct the error.



Judge Dyk concurred-in-part and dissented-in-part. Judge Dyk agreed that, under the Supreme Court's decision in *Caraco I*, Caraco was entitled to an injunction requiring Novo to correct its use code. Judge Dyk dissented "to the extent that the majority suggests the district court cannot order [Novo] to adopt a compliant use code but only enjoin the use of an improper use code." Dyk Dissent at 1-2. "Novo should not be permitted to throw in a new wrench each time one is removed by offering new overbroad use codes and forcing Caraco to seek correction of each one." *Id.* at 4. Judge Dyk stated that the present case "is a particularly easy case because the district court merely ordered reinstatement of the use code originally proposed by Novo." *Id.*

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### **Prosecution Disclaimers Must Be Clear and Unmistakable to Limit Claim Scope**

*Anthony H. Sheh*

**Judges:** Rader, Wallach, Fogel (author, district judge sitting by designation)

**[Appealed from E.D. Va., Senior Judge Hilton]**

In *01 Communique Laboratory, Inc. v. LogMeIn, Inc.*, No. 11-1403 (Fed. Cir. July 31, 2012), the Federal Circuit vacated the district court's SJ of noninfringement in favor of LogMeIn, Inc. ("LogMeIn") because the district court erred in construing the claim term "location facility."

01 Communique Laboratory, Inc. ("Communique") owns U.S. Patent No. 6,928,479 ("the '479 patent") directed to enabling one computer to access another via the Internet. All of the claims asserted by Communique against LogMeIn require "a locator server computer . . . including a location facility." During claim construction, the district court concluded that the "location facility" must be located on a single physical computer, relying primarily on a "perceived" disclaimer by Communique during reexamination. Slip op. at 5. Because LogMeIn's system did not contain a single component that performed all the claimed functions of the location facility, the district court granted SJ of noninfringement in favor of LogMeIn. *Id.*

On appeal, LogMeIn argued that the district court's claim construction was supported by claim language referring to the "locator server computer" in the singular, e.g., "a locator server computer linked to the Internet, *its* location on the Internet being defined by *a* static IP address." *Id.* at 7 (citation omitted). LogMeIn also argued that Communique disclaimed distribution of the location facility among multiple computers during reexamination to avoid prior art.

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**"An ambiguous disclaimer, however, does not advance the patent's notice function or justify public reliance, and the court will not use it to limit a claim term's ordinary meaning." Slip op. at 9 (quoting *SanDisk Corp. v. Memorex Prods., Inc.*, 415 F.3d 1278, 1287 (Fed. Cir. 2005)).**

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The Court disagreed. Initially, the Court observed that while the district court considered the location facility to be a "device," both Communique and LogMeIn agreed that the location facility was software that runs on the locator server computer. The Court noted its well-established precedent of interpreting the words "a" or "an" in a patent claim as meaning one or more and nothing in the record necessitated a departure from this rule. Failing to find "a clear intent" to limit the scope of claims of the '479 patent and given that the patent specification expressly discloses that the locator server computer "may comprise one or more computers, as is well known," the Court found LogMeIn's textual argument unavailing. *Id.* at 8-9 (citation omitted).

The Court considered whether Communique had effectively disclaimed having more than one “device” perform the function of the location facility. “When the patentee makes clear and unmistakable prosecution arguments limiting the meaning of a claim term in order to overcome a rejection, the courts limit the relevant claim term to exclude the disclaimed matter.” *Id.* at 9 (quoting *SanDisk Corp. v. Memorex Prods., Inc.*, 415 F.3d 1278, 1286 (Fed. Cir. 2005)). During an *inter partes* reexamination of the ’479 patent initiated by Citrix Systems, Inc. (“Citrix”), Communique’s expert indicated that “the location facility creates a communication channel . . . and that this ‘create’ limitation would not be satisfied by a location facility ‘that is simply used by some other component that creates the communication channel.’” *Id.* at 10 (citation omitted). Rather than finding a prosecution disclaimer, the Court found that the expert merely “differentiat[ed] between technology in which the location facility *itself* creates the communication channel and technology in which some component *other than the location facility* creates the communication channel.” *Id.* Because the expert’s opinion did not address whether the location facility must be contained on a single locator server, the Court held that the expert’s opinion failed to give a “clear and unmistakable” argument amounting to a prosecution disclaimer.

LogMeln contended that prosecution disclaimer applied based on either representations to the PTO made by the same expert in order to avoid prior art rejections, or cancellation of dependent claims that defined the “locator server computer” to encompass multiple computers. After examining the expert’s statements, the Court found no unambiguous disclaimer and noted that the district court’s understanding of the location facility as a “device” as a possible reason for the misinterpretation. The Court also did not consider the cancellation of the dependent claims to effect a disclaimer; the cancellation of dependent claims defining the locator server computers to encompass multiple computers was necessitated by a rejection based on the written description requirement of 35 U.S.C. § 112 and not out of any desire to disclaim scope. Moreover, the Court emphasized an explicit finding by the examiner that “the specification of the ’479 Patent clearly defines that the server computer comprises one or more computers,” contrary to LogMeln’s contentions. *Id.* at 13 (citation omitted).

Accordingly, the Court construed the term “location facility” as “[s]oftware on a locator server computer,” wherein “[t]he locator server computer may comprise one or more computers, and the location facility may be distributed among one or more locator server computers.” *Id.* at 13-14. Because the district court’s grant of SJ to LogMeln was based on an erroneous claim construction, the Court vacated the SJ of noninfringement and remanded for further proceedings.

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### **Looking Ahead**

This month, in *Robert Bosch LLC v. Pylon Manufacturing Corp.*, Nos. 11-1363, -1364 (Fed. Cir. Aug. 7, 2012), the Federal Circuit ordered en banc review to consider its jurisdiction over an interlocutory appeal where there remains pending in the district court a jury trial on issues of damages and willfulness.

Section 1292(c) gives the Court exclusive jurisdiction over interlocutory appeals where an injunction has been issued (§ 1292(c)(1)), and where a patent infringement judgment “would otherwise be appealable to the . . . Federal Circuit and is final except for an accounting” (28 U.S.C. § 1292(c)(2)).

The Court requested briefing on the following issues:

- a) Does 28 U.S.C. § 1292(c)(2) confer jurisdiction on this Court to entertain appeals from patent infringement liability determinations when a trial on damages has not yet occurred?
- b) Does 28 U.S.C. § 1292(c)(2) confer jurisdiction on this Court to entertain appeals from patent infringement liability determinations when willfulness issues are outstanding and remain undecided?

Slip op. at 2.

Read the full summary of the Court’s decision in next month’s edition of *Last Month at the Federal Circuit*.

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# FINNEGAN

## *Last Month at the Federal Circuit*

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**August 2012**

### **Spotlight Info**

In *CLS Bank International v. Alice Corp.*, No. 11-1301 (Fed. Cir. July 9, 2012), the Federal Circuit reversed the district court's grant of SJ, finding that the system, method, and media claims of the patents-in-suit are not directed to mere abstract ideas, but rather to practical applications of invention that are patent eligible under 35 U.S.C. § 101. The Court noted that where the addition of a machine imposes a meaningful limit on the scope of a claim and plays a significant part in permitting the claimed method to be performed, that machine limitation may render the claim patent eligible. The Court held that "when—after taking all of the claim recitations into consideration—it is not manifestly evident that a claim is directed to a patent ineligible abstract idea, that claim must not be deemed for that reason to be inadequate under § 101." Slip op. at 20.

See this month's edition of *Last Month at the Federal Circuit* for a full summary of this decision.

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