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Last Month at the Federal Circuit

December 2012

Online Article Need Not Be Indexed in a Database to Qualify as Publicly Available Prior Art

Voter Verified, Inc. v. Premier Election Solutions, Inc.

Nos. 11-1553, -1559, 12-1016, -1017
(Fed. Cir. Nov. 5, 2012)

[Appealed from M.D. Fla., Senior Judge Fawcett]

Equitable Aspects Must Always Be Considered in Determining the Availability of Injunctive Relief Regarding Valid and Infringed Patents

Edwards Lifesciences AG v. CoreValve, Inc.

Nos. 11-1215, -1257 (Fed. Cir. Nov. 13, 2012)

[Appealed from D. Del., Chief Judge Sleet]

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[Appealed from ITC]

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No. 11-1638 (Fed. Cir. Nov. 30, 2012)

[Appealed from D. Del., Judge Robinson]

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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Online Article Need Not Be Indexed in a Database to Qualify as Publicly Available Prior Art

Hillary C. Matheson

Judges: Lourie (author), Reyna, Wallach

[Appealed from M.D. Fla., Senior Judge Fawsett]

In *Voter Verified, Inc. v. Premier Election Solutions, Inc.*, Nos. 11-1553, -1559, 12-1016, -1017 (Fed. Cir. Nov. 5, 2012), the Federal Circuit affirmed that Premier Election Solutions, Inc. (“Premier”), Diebold, Inc. (“Diebold”), and Election Systems & Software, Inc. (“Election Systems”) (collectively “Defendants”) did not infringe claims 1-93 of U.S. Reissue Patent No. RE40,449 (“the ‘449 patent”), that claim 49 of the ‘449 patent was invalid as obvious, and that claims 1-48, 50-84, and 86-92 of the ‘449 patent were not invalid as to Premier and Election Systems.

The ‘449 patent was assigned to Voter Verified, Inc. (“Voter Verified”) and is directed to automated systems and methods for voting in an election, featuring a self-verification procedure for detecting and correcting machine and human error before the voter submits the ballot for tabulation. Defendants produce and market automated voting systems.

Voter Verified filed infringement complaints based on the ‘449 patent against Defendants, who denied infringement and sought DJ of invalidity on various grounds, including anticipation, obviousness, and indefiniteness. On SJ, the district court held that Defendants had not infringed claims 1-93, that claims 49 and 94 were invalid as obvious and indefinite, respectively, and that claims 1-48, 50-84, and 86-92 were not invalid. The district court also dismissed without prejudice Diebold’s invalidity counterclaims as to claims 1-48 and 50-93, and Premier and Election Systems’ invalidity counterclaims as to claims 85 and 93.

“[W]hile often relevant to public accessibility, evidence of indexing is not an absolute prerequisite to establishing online references . . . as printed publications within the prior art.” Slip op. at 9.

On appeal, the Federal Circuit held that claim 49 was obvious in view of an article (the “Benson article”) obtained from an online periodical concerned with computer safety and security, known as Risks Digest. The Court noted that for a reference to qualify as a prior art printed publication, it must have been sufficiently accessible to the public interested in the art before the critical date. Rejecting Voter Verified’s argument that a web-based reference must be searchable by pertinent terms over the Internet and “indexed” on a database to qualify as a prior art printed publication, the Court held that indexing is not a necessary condition for public accessibility. The Court concluded that the Benson article was publicly

available prior art because a person of ordinary skill interested in electronic voting would have been independently aware of the Risks Digest periodical and would have found the article using that website's search functions and reasonable diligence. The Court also held that the disclosures in the Benson article made claim 49's voting methods obvious to one of ordinary skill in the art of computerized voting technology.

Regarding claims 1-48, 50-84, and 86-92, the Federal Circuit affirmed their validity because Premier and Election Systems failed to mount a response to Voter Verified's SJ motion. The Court rejected Premier and Election Systems' argument that the district court lacked jurisdiction on this issue, explaining that Voter Verified had pared down the number of claims in its infringement contentions with the caveat that discovery might dictate reintroducing them, and that Premier and Election Systems had kept the claims before the district court by maintaining their counterclaims of invalidity.

Turning to infringement, the Federal Circuit deemed that Voter Verified had waived its challenge regarding claims 56-84 of the '449 patent because it did not substantively dispute the judgment of noninfringement regarding those claims.

The Federal Circuit noted that independent claims 1 and 25 each require, among other elements, a "ballot scanning means," which the district court construed under 35 U.S.C. § 112, ¶ 6. Rejecting Voter Verified's argument that the voter is an alternative and equivalent structure for carrying out the claimed ballot scanning function, the Court held that a human being cannot constitute a means within the scope of § 112, ¶ 6. Noting further that claims 1 and 25 require that the printed ballot and electronically stored vote be "compared by the computer program" and that the scanning means be "connect[ed]" to the computer, the Court concluded that there was no explanation of how a human could be connected to a computer, much less in a way that would effect a computerized analysis upon his or her examination of a printed ballot. The Court held that because the accused products do not include a ballot scanning device or its equivalent, they do not infringe claims 1 and 25 and their associated dependent claims 2-24 and 26-48.

Next, the Federal Circuit held that the accused products did not infringe independent claims 49, 85, and 93 of the '449 patent and their associated dependent claims 50-55 and 86-92. The Court noted that claims 49, 85, and 93 recite methods that require several steps to be performed "by the voter." Explaining that liability for direct infringement of a method claim requires that one party either performs every step of the claimed method or exerts direction or control over any such steps performed by others, the Court determined that there was no genuine issue of material fact whether Defendants controlled or directed the voter's performance of the claimed steps. The Court stated that the record showed, at most, that Defendants provided instruction on how to use their systems, which was not sufficient to incur liability for direct infringement.

Lastly, the Federal Circuit rejected Voter Verified's challenge to seventeen discretionary rulings on various motions, concluding there was no abuse of discretion.

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Equitable Aspects Must Always Be Considered in Determining the Availability of Injunctive Relief Regarding Valid and Infringed Patents

J. Preston Long

Judges: Rader, Newman (author), Prost (concurring)

[Appealed from D. Del., Chief Judge Sleet]

In *Edwards Lifesciences AG v. CoreValve, Inc.*, Nos. 11-1215, -1257 (Fed. Cir. Nov. 13, 2012), the Federal Circuit affirmed-in-part and remanded-in-part the district court's rulings on validity, infringement, willfulness, and damages. Because of a change in circumstances since the challenged rulings, the Court also vacated the district court's denial of injunctive relief and remanded the case for further consideration of two issues: the denial of injunctive relief and the application of a litigation-agreed prosecution bar to related patent reexamination proceedings.

Edwards Lifesciences AG and Edwards Lifesciences LLC (collectively "Edwards") sued CoreValve, Inc. and its successor-in-interest, Medtronic CoreValve, LLC (collectively "CoreValve"), alleging that CoreValve's Generation 3 ReValving System infringed three of its patents. The only patent-at-issue in the appeal, however, was U.S. Patent No. 5,411,552 ("the '552 patent"), directed to a transcatheter heart valve. The claimed device is mounted on a collapsible stent and implanted into the heart via a balloon catheter.

A jury determined that the '552 patent was valid and that CoreValve infringed claim 1 willfully. Consequently, it awarded Edwards \$72,645,555 damages for lost profits and \$1,284,861 in reasonable royalties. Although the district court entered judgment on the verdict, it declined to enhance the damages award for willful infringement or to issue injunctive relief against future infringement. Furthermore, the district court interpreted a litigation-agreed patent prosecution bar to preclude Edwards's litigation counsel and technical expert from participating in related patent reexamination proceedings.

During the district court proceeding, CoreValve's only challenge to the validity of the '552 patent was for lack of enablement. CoreValve pointed out that, at the time of filing, the claimed device had been implanted only in pigs. Moreover, some of those experiments were unsuccessful, prompting postfiling design changes. Edwards also stated that the device at that time was one "to perform testing on," not "to move in and treat patients." Slip op. at 5. Based on a jury instruction on the issue of enablement, the jury found that the '552 patent was valid.

"Absent adverse equitable considerations, the winner of a judgment of validity and infringement may normally expect to regain the exclusivity that was lost with the infringement." Slip op. at 16.

On appeal, CoreValve argued that in no event does testing in pigs enable use in humans. However, the Federal Circuit noted that “[c]ontinuing development is often contemplated and necessary, while early filing is often essential,” and when human experimentation is inappropriate, “the enablement requirement may be met by animal tests or *in vitro* data.” *Id.* at 7. Relying on the eight factors set forth in *In re Wands*, 858 F.2d 731, 737 (Fed. Cir. 1988), the Court held that evidence of successful trials in pigs, conducted in accordance with the ’552 patent’s specification, satisfied the enablement requirement. The Court therefore affirmed the district court’s validity determination.

Turning next to the jury finding of infringement, the Federal Circuit rejected CoreValve’s arguments that the district court’s claim construction, and thus jury instructions, were incorrect. First, CoreValve argued that the ’552 patent’s “cylindrical support means” was improperly construed, and that the construction erroneously enlarged the ordinary meaning of “cylindrical” beyond its ordinary meaning and the simple cylindrical shape depicted in the ’552 patent. The Court agreed with the district court, noting that CoreValve was importing limitations not supported by the specification or prosecution history. CoreValve further argued that the “commissural supports” of its accused product are not “generally parallel” to the stent’s longitudinal axis, as required by the ’552 patent, and argued on appeal that “parallel” should have been strictly construed as a geometric term with no flexibility of meaning or application. CoreValve and Edwards both had experts testify on the structure of the accused product, and due to the direct conflict between testimony in the district court, the Federal Circuit deferred to the jury’s finding of infringement and affirmed.

The Court also dismissed arguments asserted by both parties challenging the remedies awarded by the district court. CoreValve claimed that lost profits were inappropriate in this case because it could have manufactured the accused product overseas. The Court thought otherwise, reasoning that “[w]hether or not CoreValve could have avoided infringement, it did not do so.” Slip op. at 15. In addition, the Federal Circuit rejected Edwards’s challenge of the district court’s decision not to enhance damages for willfulness. The district court had not abused its discretion because the issues were sufficiently close, and CoreValve’s defenses were not frivolous.

The Court then vacated the district court’s decision not to grant injunctive relief to Edwards. Citing *eBay Inc. v. MercExchange, L.L.C.*, 547 U.S. 388 (2006), the Court noted that injunctive relief is not automatic. Rather, courts must exercise discretion consistent with traditional principles of equity. The district court found that equity did not warrant injunctive relief in this case because Edwards had already compromised its first-mover advantage, market share, and reputation by licensing its patent to another competitor. Moreover, the district court relied heavily on CoreValve’s representation that it planned to cease infringement immediately by moving its manufacturing operations to Mexico. As of the time of the appeal to the Federal Circuit, however, CoreValve’s manufacturing operations in the United States continued. This, the Federal Circuit noted, amounted to “changed circumstances,” worthy of reconsideration by the district court on remand. Slip op. at 19.

Lastly, Edwards challenged the district court’s interpretation of a litigation-agreed patent prosecution bar that prevented those who had access to confidential information during trial from working on patent prosecution pertaining to the relevant subject matter. The district court ruled that this language applied even to ongoing reexamination proceedings. As the Federal Circuit noted, “[t]he risk of inadvertent disclosure or improper use of confidential information is balanced against the potential harm of restricting a party’s right to continued representation by its counsel.” *Id.* at 20. Thus, the scope of restrictions, duration, and subject matter covered by such a bar must reasonably reflect the danger presented by inadvertent disclosure of the confidential information being protected. After pointing out that the ’552 patent was no longer undergoing reexamination, the Federal Circuit remanded the issue to the district court for further consideration of the prosecution bar.

In a concurring opinion, Judge Prost wrote separately to address the Court’s discussion of the permanent injunction standard. To the extent the majority’s opinion suggested the creation of a presumption in favor

of injunctive relief absent adequate rebuttal by the defendant, Judge Prost disagreed with any such suggestion. She emphasized the equitable nature of the Supreme Court's *eBay* decision and noted that, according to that case, the burden of establishing the relevant equitable factors lies with the plaintiff, not the defendant.

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For Correction of Inventorship Under 35 U.S.C. § 256, the Laches Period Begins When the Patent Issues

*Jolie D. Lechner**

Judges: Newman, Prost (author), Reyna (concurring)

[Appealed from S.D. Tex., Judge Ellison]

In *Hor v. Chu*, No. 11-1540 (Fed. Cir. Nov. 14, 2012), the Federal Circuit reversed the district court's SJ that the plaintiffs' claims to correct inventorship under 35 U.S.C. § 256 were barred by laches, affirmed the district court's SJ in favor of the defendant on the plaintiffs' unclean hands defense, and vacated the district court's sua sponte SJ that the plaintiffs' claims were barred by equitable estoppel.

U.S. Patent Nos. 7,056,866 ("the '866 patent") and 7,709,418 ("the '418 patent") are directed to superconducting compositions and list Ching-Wu Chu as the sole inventor. The '866 and '418 patents issued in 2006 and 2010 from applications that were filed in 1987 and 1989, respectively. Pei-Herng Hor and Ruling Meng, who worked in Chu's research lab at the University of Houston, filed suit in the District Court for the Southern District of Texas to correct the inventorship of the '866 and '418 patents under § 256.

The district court granted Chu's motion for SJ that the claims were barred by laches, reasoning that the inventorship claims arose before the patents issued, and that Hor and Meng knew or should have known of their claims by at least the early 1990s. The district court found that a presumption of laches, which attaches after six years, applied because Hor did not sue until 2008 and Meng did not intervene until 2010, and that neither plaintiff rebutted this presumption. The district court also entered judgment in favor of Chu on the plaintiffs' unclean hands defense and sua sponte determined that the inventorship claims were barred by equitable estoppel.

On appeal, the Federal Circuit relied on the language of the statute and held that a claim for correction of inventorship under § 256 does not begin to accrue until the patent issues. The Court disagreed with the district court's reliance on potential correction procedures before the PTO, holding that an omitted inventor's failure to seek correction under 35 U.S.C. § 116 or § 135 does not prevent the inventor from challenging inventorship under § 256.

**"A § 256 claim for correction of inventorship does not accrue until the patent issues" because "that is what the language of the provision requires."
Slip op. at 7.**

The Court explained that its holding was supported by the plain language of the statute, the

accompanying regulations, and “[its] instruction that § 256 be ‘interpreted . . . broadly’ to protect the ‘public interest of assuring correct inventorship designations on patents.’” Slip op. at 8 (quoting *Chou v. Univ. of Chi.*, 254 F.3d 1347, 1358 (Fed. Cir. 2001)). The Court also noted that its holding was supported by the specific procedural rules governing §§ 116 and 135, namely, that § 116 requires consent of all parties and that § 135 allows for interferences to be provoked after a patent issues. Finally, the Court explained that requiring an omitted inventor to initiate an inventorship dispute before issuance may be inefficient, because claims are routinely narrowed or cancelled such that an inventor may not know whether there is an inventorship claim until the patent issues.

The Court held that because Hor and Meng filed their claims within six years of the issuance of the ’866 and ’418 patents, the district court erred in finding that a presumption of laches attached to those claims. The Court thus reversed the district court’s SJ in favor of Chu on the affirmative defense of laches.

Regarding unclean hands, Meng alleged that Chu’s laches defense was barred because Chu’s attorney failed to inform Meng that her former coworker had placed Meng’s inventorship of the ’866 patent at issue during an interference, and that the attorney’s actions caused her to delay in bringing her inventorship claims. The Federal Circuit disagreed and affirmed the district court’s SJ in favor of Chu. The Court explained that “[u]nclean hands is an equitable defense within the sound discretion of the district court,” and that it “[saw] no reason to disturb the district court’s decision.” *Id.* at 12. The Court noted that Meng did not provide any authority that the alleged actions of Chu’s attorney could be imputed to Chu, or cite to any evidence that she relied on the attorney’s alleged actions in not asserting her inventorship rights sooner.

Finally, the Federal Circuit vacated the district court’s sua sponte determination that the § 256 claims were barred by equitable estoppel. The Court held that the district court erred, because equitable estoppel is an affirmative defense that must be pleaded, and Chu did not assert it in his answer or his SJ motion. The Court thus reversed the SJ in favor of Chu on laches, affirmed the SJ in favor of Chu on unclean hands, vacated the sua sponte SJ in favor of Chu on equitable estoppel, and remanded the case to the district court.

In a concurring opinion, Judge Reyna agreed with the majority that the laches period for an inventorship claim under § 256 begins to run when the patent issues. Judge Reyna then stated that he diverged from the majority’s reasoning that it may be inefficient to require inventorship disputes to be initiated while a patent application is pending. According to Judge Reyna, “the differences between § 116 and § 256 create a potential incentive to *not* challenge inventorship until the patent issues.” Reyna Concurrence at 5. “Without a threat of laches that would bar a § 256 claim to correct inventorship within a specific time period beginning with the date the omitted inventor is shown to have known of the omission, the omitted inventor is encouraged to remain silent as the applicant bears the costs of prosecution and garners potentially lucrative licenses,” and “[t]hen, once the patent issues, the omitted inventor can claim entitlement to the fruit of [the] applicant’s labors.” *Id.*

**Jolie D. Lechner is a Law Clerk at Finnegan.*

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An Invention Is Obvious When It Is a Combination of Known Elements with No More Than Expected Results

Victoria S. Lee

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

[Appealed from ITC]

In *Norgren Inc. v. International Trade Commission*, No. 11-1349 (Fed. Cir. Nov. 14, 2012), the Federal Circuit affirmed the ITC's determination of no violation of 19 U.S.C. § 1337 ("section 337") by Respondents SMC Corporation and SMC Corporation of America's (collectively "SMC") importation or sale of devices alleged to infringe Norgren Inc.'s ("Norgren") U.S. Patent No. 5,372,392 ("the '392 patent") based on the ITC's conclusion that the asserted claims of the '392 patent are invalid as obvious. The Court found the ITC's findings were supported by substantial evidence and consistent with the law.

The '392 patent discloses a "four-sided, generally rectangular clamp" for connecting two fluid flow elements, especially the fluid flow elements used in compressed air systems—filters, regulators, and lubricators. The objective of the invention was to "provide a simple, relatively inexpensive, preferably unitary connecting means." Slip op. at 3 (citation omitted).

Norgren asserted in the ITC that the importation or sale of SMC devices infringed the '392 patent in violation of section 337. The ALJ found no section 337 violation, finding the claims nonobvious. In a prior appeal, the Federal Circuit reversed, construing "generally rectangular" to not be limited to "having four projecting rims." See *Norgren Inc. v. Int'l Trade Comm'n*, 336 F. App'x 991, 995-96 (Fed. Cir. 2009) (nonprecedential) ("*Norgren I*"). The Court vacated the ITC's determination and remanded for a new trial consistent with the new construction, allowing the ITC to revisit obviousness and review the ALJ's findings de novo. On remand, the ALJ found the asserted claims not obvious. The ITC reversed, finding the claims obvious over a prior art SMC clamp ("old-style SMC connector"), finding secondary considerations did not support a finding of nonobviousness, and finding no section 337 violation.

“[O]ne of the ways in which a patent’s subject matter can be proved obvious is by noting that there existed at the time of invention a known problem for which there was an obvious solution encompassed by the patent’s claims. [A]ny need or problem known in the field of endeavor at the time of invention and addressed by the patent can provide a reason for combining the elements in the manner claimed.’ This includes, but is not limited to, the problem motivating the patentee.” Slip op. at 8 (quoting *KSR Int’l Co. v. Teleflex Inc.*, 550 U.S. 398, 419-20 (2007)).

Norgren appealed. As the old-style SMC connector is not a “precise rectangle,” but is missing corners, the primary dispute on appeal was whether the ITC’s determination that the old-style SMC connector is “four-sided and generally rectangular” was correct. Slip op. at 9, 12. Norgren argued that there was insufficient evidence that the old-style SMC connector met the claim limitations of “four-sided” and “generally rectangular,” and further argued that it would not have been obvious to one of ordinary skill in the art to solve the problems of loose parts and ease of replacement by adding a hinge. Norgren also argued that SMC’s expert witness was “over-qualified” and argued that secondary considerations support a finding of nonobviousness. *Id.* at 6-7.

In upholding the ITC’s determination, the Federal Circuit applied the “flexible teaching, suggestion, or motivation test” of *KSR International Co. v. Teleflex Inc.*, 550 U.S. 398, 416 (2007), indicating that common sense and ordinary creativity of a person having ordinary skill in the art are also part of obviousness. The Court looked to its previous claim construction of the “generally rectangular” claim term. Although Norgren argued otherwise, the Court found that substantial evidence supported the ITC’s determination that the old-style SMC connector was prior art, and that “a reasonable mind might accept” that it is four-sided and generally rectangular per the claims. Slip op. at 12 (citation omitted). The Court concluded that the invention in the ’392 patent was a combination of known elements with no more than expected results. The Court found that the ITC properly relied on the testimony of both parties’ experts and an assessment of the physical exhibit of the prior art connector in making its determination. The Court also noted that in *Norgren I*, it was undisputed that the term “generally rectangular” covers flanges, even where sloped sides replaced corners of the rectangle. And the ITC recognized that the old-style SMC connector was characterized by the same type of deviation from a “precise rectangle,” as specifically addressed in *Norgren I*, and therefore fell within the scope of the claim.

As the only difference between the claimed invention and the prior art was the inclusion of a hinge, the parties also disputed whether it would have been obvious to a person of ordinary skill in the art at the time of the invention to modify the old-style SMC connector to incorporate a hinge. The Court relied on the teachings of *KSR* to uphold the ITC’s finding that a hinge was an obvious solution in the prior art to solve the problem of avoiding loose parts and ease of use. Adding a hinge was a “common sense solution” in the mechanical arts *Id.* at 14-15.

Lastly, the Court found that nothing presented by Norgren relating to secondary considerations undercut the conclusion of obviousness. The Court upheld the ITC’s finding that testimony on surprise and skepticism, and evidence of long-felt need, failure by others, and commercial success was not sufficiently supported by the evidence.

Judge Moore dissented, concluding that the claims would not have been obvious to one of skill in the art in light of the prior art old-style SMC connector because the prior art clamp is not “a four-sided, generally rectangular clamp.” Because the old-style SMC connector has sloped corners, even if it is “generally rectangular,” in Judge Moore’s view, it is not “four-sided.” Moore Dissent at 4. She explained that “[w]e must look to the precise claim language and be ever vigilant not to strip away patent rights by eliminating claim limitations.” *Id.* She noted the majority’s interpretation “conflicts with the plain language of the claim,” and therefore dissented. *Id.* at 5.

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Objective Evidence of Nonobviousness Overcomes Prima Facie Case of Obviousness

Hillary C. Matheson

Judges: Prost, Moore (author), Wallach
[Appealed from S.D. Tex., Judge Hoyt]

In *Transocean Offshore Deepwater Drilling, Inc. v. Maersk Drilling USA, Inc.*, No. 11-1555 (Fed. Cir. Nov. 15, 2012), the Federal Circuit reversed the district court's JMOL and held that (1) the asserted claims of U.S. Patent Nos. 6,047,781 ("the '781 patent"), 6,085,851 ("the '851 patent"), and 6,068,069 ("the '069 patent") were not invalid for obviousness and lack of enablement; (2) Maersk Drilling USA, Inc. ("Maersk") infringed the asserted claims; and (3) Transocean Offshore Deepwater Drilling, Inc. ("Transocean") was entitled to damages.

The '781, '851, and '069 patents are directed to a "dual-activity" drilling apparatus for improving the efficiency of offshore drilling. Transocean alleged that Maersk infringed claims 10-13 and 30 of the '781 patent, claim 10 of the '851 patent, and claim 17 of the '069 patent by entering into a contract with Statoil Gulf of Mexico LLC ("Statoil") that granted Statoil the right to use an allegedly infringing drilling rig.

The district court granted SJ of obviousness, lack of enablement, and noninfringement in favor of Maersk. After the Federal Circuit vacated the SJ of infringement and reversed the SJ of obviousness and lack of enablement on appeal, a jury trial was held. The jury found that Maersk failed to prove obviousness or lack of enablement. Its specific findings included that each of seven objective factors indicated nonobviousness. The jury also found that Maersk infringed and awarded \$15 million in compensatory damages. However, the district court granted JMOL of invalidity and noninfringement, and held that Transocean was not entitled to damages.

"This . . . is precisely the sort of case where the objective evidence 'establish[es] that an invention appearing to have been obvious in light of the prior art was not.'" Slip op. at 21 (second alteration in original) (quoting *Stratoflex, Inc. v. Aeroquip Corp.*, 713 F.2d 1530, 1538 (Fed. Cir. 1983)).

On appeal for the second time, the Court stated that under *Graham v. John Deere Co. of Kan. City*, 383 U.S. 1 (1966), obviousness has "several underlying factual inquiries: (1) the scope and content of the prior art; (2) the differences between the prior art and the claims at issue; (3) the level of ordinary skill in the field of the invention; and (4) objective considerations such as commercial success, long felt but unsolved need, and the failure of others." Slip op. at 6. During the initial appeal, the Court had concluded that the combination of two prior art references presented a prima facie case of obviousness,

and in the second appeal, the Court acknowledged that this conclusion was established as the law of the case. The Court noted that it was therefore error to permit the jury to consider whether the two references disclosed all the claim elements. The Court stated that the prima facie case was a presumption of obviousness based on the first three *Graham* factors above, but that a party could rebut the presumption with evidence relevant to the fourth factor, objective evidence of nonobviousness. The Court held it was not error to allow the jury to weigh the strength of the prima facie case together with the objective evidence to reach a conclusion on obviousness.

The jury made express findings on seven types of objective evidence of nonobviousness: commercial success, industry praise, unexpected results, copying, industry skepticism, licensing, and long-felt but unsolved need. The Court held that Transocean presented substantial evidence from which a reasonable jury could find that each of the seven factors supported nonobviousness.

First, the Court concluded that a reasonable jury could conclude from the evidence that Transocean's dual-activity rigs were a commercial success and that the success had a nexus to the features claimed in the patents. The Court concluded that substantial evidence therefore supported the finding that commercial success weighed in favor of nonobviousness.

Next, the Court addressed the second and third factors, industry praise and unexpected results. The Court concluded that, from numerous documents showing industry praise for the unexpected increase in drilling efficiency made possible using the patented technology, there was substantial evidence from which the jury could reasonably conclude that Transocean's claimed dual-activity apparatus produced unexpected efficiency gains and that this benefit garnered praise in the drilling industry.

The Court concluded that there was also substantial evidence supporting the jury's finding of copying, the fourth factor. The Court noted that the evidence showed that Maersk decided to incorporate the claimed dual-activity features regardless of the patents because it believed they were invalid over the prior art.

Addressing the fifth factor, industry skepticism, the Court concluded that it was error to reject the jury's finding that skepticism supported nonobviousness. Although Maersk presented evidence that it contended dispelled the concerns of skeptics, the Court held that a reasonable jury could accept Transocean's evidence of skepticism even if the evidence could also support a contrary conclusion.

Although the jury found that the sixth factor, licensing, supported nonobviousness, the district court found that Transocean's sales of its dual-activity technology were due primarily to litigation or the threat of litigation. The Federal Circuit noted that Transocean introduced evidence that the royalties paid under the licenses exceeded any litigation costs and that at least three companies licensed the asserted patents despite being under no threat of litigation. The Court concluded that Transocean presented sufficient evidence for a reasonable jury to find that the licenses reflected the value of the claimed invention and were not solely attributable to litigation.

The Court also concluded that substantial evidence supported the jury's finding that nonobviousness was supported by long-felt but unsolved need, the last of the seven factors. The Court noted that Transocean presented testimony that the drilling industry had been operating in deepwater since the 1970s, had been seeking greater efficiency, and had unsuccessfully attempted to eliminate the interruptions to drilling well operations that the dual-activity rig prevented.

Accordingly, the Federal Circuit concluded that Transocean's compelling objective evidence of nonobviousness overcame the prima facie case of obviousness, and reversed the district court's grant of JMOL of obviousness.

Turning to enablement, the Court noted that the specification shared by the patents discloses two systems that could be used to perform the claimed function and that testimony at trial confirmed that

modifying those systems for use in the claimed invention would be trivial. The Court held that substantial evidence supported the jury's verdict that Maersk failed to prove that undue experimentation would be required to operate the claimed invention, and reversed the district court's grant of JMOL of no enablement.

Next, the Federal Circuit addressed whether Maersk infringed Transocean's patents. The district court granted JMOL of noninfringement on the ground that Maersk's contract with Statoil expressly indicated that the final drill design could be modified based on the outcome of a pending district court litigation. Quoting from the initial appellate decision, the Court held that if the contract and its accompanying schematics could support a finding that the sale was of an infringing article, the fact that Maersk could later alter the rig after the contract's execution was irrelevant to the infringement analysis. The schematics were introduced at trial, and Maersk did not argue on appeal that the rig depicted in them was missing any of the limitations of the asserted claims. The Court concluded that substantial evidence supported the jury's finding that Maersk literally infringed the asserted claims and reversed the grant of JMOL of noninfringement.

Addressing the issue of damages, the Federal Circuit looked to the upfront \$15 million fee in Transocean's model license agreement, to which several companies had agreed, and concluded that the jury award of \$15 million was supported by substantial evidence. While acknowledging that the rig Maersk delivered to Statoil was modified to avoid infringement, the Court rejected the argument that Maersk only needed a license allowing it to sell or offer to sell a dual-activity rig. The Court pointed out that the hypothetical negotiation used to calculate a reasonable royalty seeks to determine the terms the parties would have agreed to at the time infringement began. The Court held that a reasonable jury could conclude that at the time Maersk first infringed by offering a dual-activity rig for sale, the parties would have negotiated a license granting the right not only to offer the rig for sale, but also to deliver it.

Finally, the Court reversed the district court's conditional grant of Maersk's motion for a new trial. The Court pointed out that the jury's verdict regarding the objective evidence of nonobviousness was supported by substantial evidence. The Court rejected the argument that the finding might have been tainted by the court's failure to instruct the jury that the first three *Graham* factors were already resolved by the first appeal.

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December 2012

Direct Purchasers Have Standing to Pursue *Walker Process* Antitrust Claims, Even If They Are Not Entitled to Seek DJ Under Patent Laws

David R. Lefebvre

Judges: Bryson (author), Dyk, Moore

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

In *Ritz Camera & Image, LLC v. SanDisk Corp.*, No. 12-1183 (Fed. Cir. Nov. 20, 2012), the Federal Circuit affirmed on interlocutory appeal the district court's ruling that a direct purchaser of goods that are protected by a patent has standing to bring a *Walker Process* antitrust claim against the patent owner, even if the purchaser has no other basis for seeking a DJ of patent invalidity or unenforceability.

Ritz Camera & Image, LLC ("Ritz") brought suit against SanDisk Corporation ("SanDisk") on behalf of itself and a class of direct purchasers of NAND flash memory, a type of flash memory used in consumer products such as digital cameras, mobile phones, and USB drives. The complaint alleged that SanDisk violated section 2 of the Sherman Act by fraudulently procuring two patents central to its flash memory business and using those patents to establish its monopoly position in the NAND flash memory market. SanDisk moved to dismiss the complaint for lack of standing. The district court rejected SanDisk's argument, and SanDisk sought interlocutory review of the ruling.

“[A] direct purchaser is not categorically precluded from bringing a *Walker Process* antitrust claim, even if it would not be entitled to seek declaratory relief against the patentee under the patent laws.” Slip op. at 3.

On appeal, the Federal Circuit held “that the district court was correct to rule that a direct purchaser is not categorically precluded from bringing a *Walker Process* antitrust claim, even if it would not be entitled to seek declaratory relief against the patentee under the patent laws.” Slip op. at 3. The Court rejected SanDisk's argument that standing should be governed by the rules for patent validity challenges under the DJ Act because antitrust claims require improper procurement of a patent. The Court noted that the Supreme Court rejected a similar argument in *Walker Process* and that SanDisk's reliance on a statement from that case was misplaced. “Nothing in that sentence, or elsewhere in the Court's opinion, suggests that the standing limitations on direct actions to challenge patent validity should be imported into antitrust actions predicated on fraudulently procured patents.” *Id.* at 8. The Court also noted that it and other courts had declined to apply limitations on patent invalidity suits to *Walker Process* antitrust actions.

Finally, the Federal Circuit indicated it “[did] not share SanDisk's concern” that “allowing direct purchasers to bring *Walker Process* claims would authorize an intolerable end-run around the patent laws because

parties unable to pursue invalidity claims could achieve the same result by way of a Sherman Act claim.” *Id.* at 9. The Court explained that a *Walker Process* claim is separate from a patent DJ action and is governed by the principles of antitrust law. The Court further noted that Ritz’s claim sought relief under antitrust laws and did not directly seek to invalidate or render unenforceable SanDisk’s patents, “even though that would likely be the practical effect if Ritz were to prevail on its *Walker Process* claim.” *Id.* at 10.

The Court thus affirmed the district court’s rejection of SanDisk’s motion to dismiss for lack of standing. “Because direct purchasers are generally permitted to bring antitrust actions, and because the *Walker Process* decision did not preclude purchasers from bringing this particular type of antitrust claim, we hold that Ritz’s status as a direct purchaser gives it standing to pursue its *Walker Process* claim even if it could not have sought a declaratory judgment of patent invalidity or unenforceability.” *Id.*

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December 2012

Assessing Indefiniteness with Respect to Means-Plus-Function Limitations Requires Disclosure of Structure Corresponding to Overall Function, Regardless of Whether Implementing That Function Was Known in the Art

Hala S. Mourad

Judges: Dyk, Prost (author), O'Malley

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

In *ePlus, Inc. v. Lawson Software, Inc.*, Nos. 11-1396, -1456, -1554 (Fed. Cir. Nov. 21, 2012), the Federal Circuit reversed the district court's determination regarding indefiniteness, reversed-in-part the district court's denial of JMOL of noninfringement to Lawson Software, Inc. ("Lawson"), and accordingly vacated-in-part a judgment of infringement against Lawson. The Court also remanded the case to the district court for determination of what changes are required to the terms of the district court's injunction affecting products sold by Lawson before the injunction issued. The Court affirmed the district court on the issue of infringement of a single method claim.

ePlus, Inc. ("ePlus") owns U.S. Patent Nos. 6,023,683 ("the '683 patent") and 6,505,172 ("the '172 patent"), which are directed to electronic sourcing and to dividing a single requisition (or shopping list) into multiple purchase orders. Lawson sells computer software modules for supply chain management. ePlus filed suit against Lawson, alleging that various combinations of Lawson's software modules infringed two system claims of the '172 patent and the '683 patent, and three method claims of the '683 patent.

The system claims both recite a "means for processing" means-plus-function limitation claiming the function of generating one or more purchase orders based on a requisition list. At the SJ stage, the district court denied Lawson's motion, arguing that the system claims were invalid as indefinite because the specification did not disclose adequate structure for the "means for processing" means-plus-function limitation. Lawson did not raise the indefiniteness issue during trial, based on its understanding that indefiniteness, as an issue of law, did not need to be presented to the jury. Before the close of evidence during trial, Lawson sought JMOL, but did not raise the indefiniteness issue in its brief. After the jury returned a verdict for ePlus, Lawson filed a renewed motion for JMOL, generally arguing that the system claims were indefinite. The district court again denied the motion and entered judgment of infringement against Lawson. The district court granted ePlus's motion for a permanent injunction, which enjoined Lawson from, inter alia, servicing products sold to customers that the jury found to infringe ePlus's patents. The district court denied Lawson's motion to clarify and narrow the scope of the injunction, including its effect on infringing products sold before the injunction issued.

"The indefiniteness inquiry is concerned with whether the bounds of the invention are sufficiently demarcated, not with whether one of ordinary skill in

the art may find a way to practice the invention. To assess whether a claim is indefinite, therefore, we do not ‘look to the knowledge of one skilled in the art apart from and unconnected to the disclosure of the patent.’ We rather ‘look at the disclosure of the patent and determine if one of skill in the art would have understood that disclosure to encompass [the required structure].’” Slip op. at 17 (citations omitted).

On appeal, the Federal Circuit first addressed whether the district court should have found that the two asserted systems claims are indefinite. ePlus argued that Lawson waived its right to appeal indefiniteness regarding the “means for processing” limitation because it did not raise the issue of indefiniteness at trial, and because the JMOL motions were not sufficiently specific. The Court rejected ePlus’s argument, holding that Lawson did not waive its indefiniteness argument. The Court explained that because indefiniteness is a question of law and in effect part of claim construction, a waiver is not readily found when the indefiniteness arguments are not being raised for the first time on appeal. Here, the Court found that ePlus and the district court were aware of the indefiniteness arguments at the SJ and JMOL stages. The Court further noted that the district court told Lawson’s counsel that the indefiniteness argument was mature for appeal and, in light of such specific facts, “Lawson was not required to ignore the writing on the wall and press the issue over and over again to preserve it for appeal.” Slip op. at 14.

Turning to the merits, the Federal Circuit found that the common specification of the ’172 patent and the ’683 patent did not disclose sufficient structure for the “means for processing” limitation. The district court determined that the specification disclosed “a purchase order generation module.” *Id.* at 15 (citation omitted). The Court examined three passages in the specification and three accompanying figures identified by the district court as disclosing the required structure, and determined that the specification contained no mention of such structure or any explanation as to what structure or algorithm specifically corresponded to the “means for processing” limitation and should be used to generate the purchase orders.

ePlus argued that it was not required to disclose a structure that corresponded to the overall function of generating purchase orders because implementing that functionality was already known prior to the ’683 patent. The Court rejected this argument, explaining that “[t]he indefiniteness inquiry is concerned with whether the bounds of the invention are sufficiently demarcated, not with whether one of ordinary skill in the art may find a way to practice the invention.” *Id.* at 17 (citing *Aristocrat Techs. Australia Pty. Ltd. v. Int’l Game Tech.*, 521 F.3d 1328, 1337 (Fed. Cir. 2008)). Accordingly, the Court looked to the disclosure of the ’172 and ’683 patents to determine whether one of skill in the art would have understood that disclosure to encompass the required structure. Finding that the specification did not disclose any structure responsible for generating purchase orders or any instruction for using a particular piece of hardware, employing a specific source code, or following a particular algorithm, the Court determined that “[t]he patentee has in effect claimed everything that generates purchase orders under the sun.” *Id.* Accordingly, the Court found the system claims indefinite.

Next, the Court considered whether the evidence presented at trial supported the jury’s finding of infringement of the method claims. The Court affirmed-in-part the district court’s denial of JMOL of noninfringement with respect to the jury’s verdict of infringement for one of the method claims and reversed-in-part for the remaining two method claims. Regarding the reversal-in-part, the Court found that ePlus did not offer any evidence that suggested that Lawson’s customers performed the required converting data step. The Court noted that every mention of the converting data step in ePlus’s briefs referred to the capability of the accused system rather than an actual act of infringement. Accordingly, the Court determined that no reasonable jury could have concluded that the two method claims were infringed.

Finally, the Court addressed whether the district court’s injunction order was impermissibly broad.

Lawson argued that the district court should not have enjoined it from servicing and maintaining products sold before the injunction issued because damages were not at issue. The Court disagreed, finding that although servicing a product is equivalent to repairing it, and that one is entitled to repair where the sale was authorized and free of liability, ePlus was not permitted to present any evidence of damages because of the district court's enforcement of the discovery rules, which the Court determined did not mean that Lawson was authorized to sell products that infringed ePlus's patent. The Court accordingly determined that the district court did not abuse its discretion in granting too broad an injunction.

On cross-appeal, ePlus argued that the district court erred in excluding the testimony of ePlus's damages expert because of analytically flawed testimony and in barring ePlus from presenting evidence of damages during trial because ePlus had not provided Lawson with adequate notice of its royalty rate theory. The Court rejected ePlus's arguments, finding that the district court properly found the expert's analysis unreliable. The Court also determined that ePlus was correctly precluded from presenting evidence of damages because the district court was properly concerned that the last-minute addition to the record would disrupt the proceedings and cause unacceptable delay, and that changing the damage calculation methodology on the eve of trial would expose Lawson to an unjustified risk of prejudice. Accordingly, the Court held that the district court did not abuse its discretion.

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December 2012

In Patent Cases, Federal Circuit and Not Regional Circuit Standards Apply for Preliminary Injunction Likelihood of Success Test

*Forrest A. Jones**

Judges: Newman (author), Clevenger, Linn
[Appealed from D. Vt., Chief Judge Reiss]

In *Revision Military, Inc. v. Balboa Manufacturing Co.*, No. 11-1628 (Fed. Cir. Nov. 27, 2012), the Federal Circuit reversed the district court's denial of a preliminary injunction for utilizing an improper higher standard of proof in determining the plaintiff's likelihood of success, and for improperly applying the design patent infringement "overall design" standard. The Court remanded for further proceedings in accordance with its opinion.

Revision Military, Inc. ("Revision") and Balboa Manufacturing Company ("Balboa") both design, manufacture, and sell protective eyewear for ballistic uses. Revision sued Balboa, claiming Balboa's "Bravo" goggles infringed U.S. Design Patent Nos. D537,098 ("the '098 patent") and D620,039 ("the '039 patent"), which covered Revision's "Bullet Ant" goggles. Revision sought a preliminary injunction against Balboa to prevent the sale of "Bravo" goggles, which the district court denied. Revision appealed.

The Federal Circuit first held that the district court improperly applied the Second Circuit's heightened standard of proof for likelihood of success on the merits instead of the Federal Circuit's standard. The Second Circuit has articulated a heightened standard of "clear" or "substantial" likelihood of success in cases where an injunction would alter the status quo. Slip op. at 3. The district court applied this standard because Balboa was already offering its goggles for sale.

"Substantive matters of patent infringement are unique to patent law, and thus the estimated likelihood of success in establishing infringement is governed by Federal Circuit law." Slip op. at 4.

The Court explained, however, that the determination of the likelihood of success in a patent infringement case "involves substantive matters unique to patent law and, therefore, is governed by the law of this court." *Id.* (quoting *Hybritech Inc. v. Abbott Labs.*, 849 F.2d 1446, 1451 n.12 (Fed. Cir. 1988)). Other circuit court precedent may apply in cases where the basis for a preliminary injunction is not the merits of an infringement charge. But where the preliminary injunction is based upon a substantive matter of patent law, Federal Circuit law applies. Accordingly, Revision did not need to meet the higher "clear" or "substantial" likelihood of success standard, but rather the Federal Circuit's "more likely than not" standard. *Id.* at 4.

The Federal Circuit also disagreed with the district court's application of the "overall design" standard for infringement of a design patent when determining Revision's likelihood of success. *Id.* at 6. The district court correctly stated that the standard was whether the overall design was substantially the same in the eye of the ordinary observer. But it incorrectly went on to focus on particular features that "stand out as dissimilar," such as the size and shape of the lenses, the concavity of the nose bridge, and the venting along the edge of the goggles. *Id.*



'098 Patent Figure 2



Bobster Bravo



'039 Patent Figure 2



Bobster Bravo

Id. at 5-6.

The Court held that while individual features may influence the determination of the overall design, the prior art context familiar to the ordinary observer should be considered. As stated in *Egyptian Goddess, Inc. v. Swisa, Inc.*, 543 F.3d 665 (Fed. Cir. 2008) (en banc), the prior art acts as "a frame of reference" for the ordinary observer and is "therefore often useful in the process of comparison." *Id.* at 677. The Federal Circuit concluded that the district court improperly ignored the prior art context in this case.

Accordingly, the Federal Circuit reversed and remanded with instructions to apply the correct "design-as-a-whole criterion" and the "more-likely-than-not standard," properly considering the prior art frame of reference. Slip op. at 7.

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December 2012

Trademark and Patent Infringement Claims Constitute Separate Causes of Action

R. Benjamin Cassady

Judges: Rader (author), Mayer (dissenting), Schall
[Appealed from D. Minn., Chief Judge Davis]

In *Superior Industries, LLC v. Thor Global Enterprises Ltd.*, No. 11-1549 (Fed. Cir. Nov. 27, 2012), the Federal Circuit held that claims of trademark infringement and patent infringement related to the same product do not constitute the same cause of action for the purposes of claim preclusion. Additionally, the Court reversed-in-part the dismissal of plaintiff's patent infringement claims for failure to state a claim for relief that is plausible on its face, holding that the plaintiff sufficiently pleaded direct infringement, but not induced or contributory infringement.

On August 4, 2009, Superior Industries, LLC ("Superior") initiated a trademark infringement action ("the 2009 Trademark Action") based on an October 2007 press release from Thor Global Enterprises Ltd. ("Thor") that included Superior's "FB" trademark. The 2009 Trademark Action ended in a consent judgment. Two months later, Superior brought a patent infringement suit against Thor, alleging direct, induced, and contributory infringement of U.S. Patent Nos. 7,470,101 ("the '101 patent") and 7,618,231 ("the '231 patent") based on Thor's FB Undercarriage Technology, the same technology advertised in the 2007 press release.

The district court dismissed Superior's patent infringement claims for the '101 patent based on claim preclusion because "[b]oth the trademark claims and the patent claims arise from and are based on the October 2007 press releases issued by Thor . . . and the point of sale displays allegedly distributed by Thor." Slip op. at 5. And, while the district court found that claim preclusion did not apply to Superior's claims for the '231 patent because it issued after the 2009 Trademark Action, it dismissed Superior's claims under Federal Rule of Civil Procedure 12(b)(6) for failing to state a claim for relief.

“[C]laim preclusion does not arise merely because the plaintiff was aware of independent facts that gave rise to a separate cause of action against the defendant at the time it brought suit.” Slip op. at 9.

On appeal, the Federal Circuit held that the 2009 Trademark Action did not preclude Superior's patent infringement claim because the two claims arose from clearly separate transactions. Further, the Court explained that "separate cases under separate laws do not constitute the same cause of action." *Id.* at 9-10. Differentiating trademark and patent claims, the Federal Circuit emphasized that a "federal trademark infringement claim involves the defendant's use of the plaintiff's registered mark 'in connection with the sale, offering for sale, distribution, or advertising, of any goods or services' in a manner 'likely to

cause confusion, to cause mistake, or to deceive.” *Id.* at 10 (quoting 15 U.S.C. § 1114). By contrast, the Court explained, patent infringement arises when an authorized party makes, offers to sell, or sells any patented invention. Focusing on the different standards, the Court concluded that Thor’s advertising at issue in the 2009 Trademark Action did not constitute an offer for sale for purposes of patent infringement because it contains no price terms. Thus, this could not be the operative fact that gave rise to Superior’s patent infringement claims. Therefore, the Court held that Superior’s trademark infringement and patent infringement claims constituted separate causes of action, and the district court erred in concluding that claim preclusion barred Superior’s claim for infringement of the ’101 patent.

The Federal Circuit then turned to the district court’s dismissal of Superior’s infringement claims for failure to plead sufficient factual matter to state a plausible claim for relief. The Court found that Superior’s complaint met the pleading standard for direct infringement provided by Form 18 of the Federal Rules of Civil Procedure. But the Federal Circuit also held that “Superior’s complaint falls far short of pleading facts necessary to state a plausible claim for either induced or contributory infringement.” *Id.* at 13. Particularly, the Court reasoned that “Superior does not allege that the accused products are ‘especially made or especially adapted for use in an infringement of such patent, and not a staple article or commodity of commerce suitable for substantial noninfringing use,’ as required by 35 U.S.C. § 271(c),” nor does Superior allege “any facts to support a reasonable inference that Thor specifically intended to induce infringement of the ’231 Patent or that it knew it had induced acts that constitute infringement.” *Id.* at 13-14. Accordingly the Court reversed the district court’s dismissal of Superior’s claims for direct infringement, but affirmed the dismissal of Superior’s indirect infringement claims.

Judge Mayer dissented, stating that in his view, claim preclusion should bar Superior’s patent infringement claims “because they arise from the same nucleus of operative facts that gave rise to its 2009 trademark infringement action.” Mayer Dissent at 1. Judge Mayer noted that Superior’s patent infringement claims “could and should have been asserted during the 2009 trademark infringement action.” *Id.* at 2. In contrast to the majority opinion, Judge Mayer wrote that “notwithstanding the fact that patent and trademark infringement invoke different areas of substantive law, Superior was required to bring its patent infringement action concurrently with its trademark suit because both claims relate to the same advertising materials,” concluding that “such materials were clearly sufficient to put Superior on notice that it had a potential patent infringement claim.” *Id.* at 6. Judge Mayer expressed no view on whether or not the district court correctly dismissed Superior’s claims pursuant to Rule 12(b)(6).

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Invalidation Under § 102(g) Does Not Require Prior Conception If There Was Prior Reduction to Practice

Robert A. Hall

Judges: Newman, O'Malley (concurring-in-part, dissenting-in-part), Wallach (author)

[Appealed from E.D. Va., Judge Smith]

In *Fox Group, Inc. v. Cree, Inc.*, No. 11-1576 (Fed. Cir. Nov. 28, 2012), the Federal Circuit affirmed the district court's SJ of invalidity under 35 U.S.C. § 102(g) as to the asserted claims but vacated the decision as to the remaining unasserted claims.

The Fox Group, Inc. ("Fox") is the assignee of U.S. Patent No. 6,562,130 ("the '130 patent"). The '130 patent has a priority date of January 22, 1997, and is directed to a low-defect silicon carbide ("SiC") crystal semiconductor. Fox initially asserted all claims of the '130 patent against Cree, Inc. ("Cree") and, prior to judgment, limited its infringement assertion to claims 1 and 19. Cree filed a motion for SJ of invalidity of all claims based on prior inventorship under § 102(g). Cree asserted, inter alia, that Cree had reduced the invention to practice in February 1995, and had described the invention at a conference in 1995 and in a published article in 1996. The district court granted Cree's motion, finding all of the claims of the '130 patent invalid. Fox appealed.

On appeal, Fox argued that Cree was not a prior inventor and, if it was, that Cree had abandoned, suppressed, or concealed the invention. Fox also argued that the district court erred in invalidating all claims of the '130 patent when only claims 1 and 19 were asserted.

"If a prior inventor could disclose the mere existence of a product and take no further action for nine years, the concept of abandonment, suppression, or concealment would be rendered meaningless." O'Malley Dissent at 10.

Regarding inventorship, the panel decision held that "Cree needs only prove either that it reduced its invention to practice first or that it conceived of the invention first and was diligent in reducing it to practice." Slip op. at 8. "An alleged prior inventor would need to prove conception only if the alleged prior inventor had not successfully reduced the invention to practice before the critical date of the patent-at-issue . . ." *Id.* The panel found that because Cree reduced the invention to practice in 1995, before the critical date of the '130 patent, it did not need to prove conception. The Court rejected Fox's argument that Cree failed to prove reduction to practice because Cree admitted it had not invented a repeatable process. The panel majority held that there is no requirement that the alleged prior inventor repeatedly reduced the invention to practice. The panel majority held that there was no genuine issue of material fact as to whether Cree reduced the invention to practice prior to Fox's critical date.

Regarding abandonment, suppression, or concealment, the panel majority rejected Fox's argument "that abandonment, suppression, or concealment may be inferred from the inventor's 'unreasonable delay in making the invention publicly known.'" *Id.* at 10 (quoting *Dow Chem. Co. v. Astro-Valcour, Inc.*, 267 F.3d 1334, 1342 (Fed. Cir. 2001)). The panel majority explained that neither filing a patent application nor commercialization are required, and that "[t]here are other ways to prove public disclosure including, e.g., the use of a printed publication[] as prior art under 35 U.S.C. §§ 102(a), (b)." *Id.* at 11.

Fox argued that Cree's prior disclosures needed to be enabling. The Court distinguished the cases cited by Fox, which were directed to process claims, and held that there is a distinction under § 102(g) between process claims and product claims as the ones asserted. The panel majority concluded that Fox did not produce sufficient evidence to generate a genuine issue of material fact as to whether Cree suppressed or concealed its invention. The panel majority affirmed the district court's holding that claims 1 and 19 are invalid under § 102(g).

The panel majority also noted that the remaining claims were not asserted. Both parties were on notice that only claims 1 and 19 were at issue. "There was no case or controversy with respect to the unasserted claims at the time of the summary judgment motions; therefore, the district court did not have jurisdiction over the unasserted claims." *Id.* at 16. The panel vacated the district court's holding that the remaining claims of the '130 patent are invalid.

Judge O'Malley concurred-in-part and dissented-in-part. Judge O'Malley agreed with the panel majority that Cree reduced its invention to practice first but dissented from the panel majority's judgment. Judge O'Malley opined that SJ was inappropriate because Fox presented direct and inferential evidence of abandonment, suppression, or concealment, and Cree's publication was insufficient to rebut that evidence. "If a prior inventor could disclose the mere existence of a product and take no further action for nine years, the concept of abandonment, suppression, or concealment would be rendered meaningless." O'Malley Dissent at 10.

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Commercial Success of Embodiments Having Features Not Recited in the Claims May Be Considered When Determining Obviousness

Kevin D. Rodkey

Judges: Dyk (author), Clevenger, Wallach (dissenting-in-part)

[Appealed from D. Del., Judge Robinson]

In *ArcelorMittal France v. AK Steel Corp.*, No. 11-1638 (Fed. Cir. Nov. 30, 2012), the Federal Circuit affirmed-in-part and reversed-in-part the district court's claim construction of U.S. Patent No. 6,296,805 ("the '805 patent"), reversed the jury's finding of anticipation, and remanded for a new trial on the secondary consideration of commercial success with respect to obviousness and literal infringement under the Court's new claim construction.

ArcelorMittal France and ArcelorMittal Atlantique et Lorraine (collectively "ArcelorMittal") own the '805 patent, which relates to a boron steel sheet having an aluminum-based coating. The '805 patent discloses that the steel can be processed by rapidly heating the steel for "hot-stamping" and then rapidly cooling the steel by "quenching," which increases its mechanical strength, resulting in parts that are thinner and lighter. The '805 patent discloses that the aluminum-based coating prevents undesirable oxidation of the steel during processing.

ArcelorMittal sued AK Steel Corporation, Severstal Dearborn, Inc., and Wheeling-Nisshin Inc. (collectively "AK Steel") in the District Court for the District of Delaware, alleging that AK Steel's aluminum-coated steel sheets infringed the '805 patent. The district court construed the term "hot-rolled steel sheet" to mean "a steel sheet that has been reduced to its final thickness by hot-rolling," and construed the term "the steel sheet has a very high mechanical resistance" to mean "the flat-rolled steel has been subjected, after rolling, to additional controlled heating and cooling and has an ultimate tensile strength of 1500 MPa or greater." Slip op. at 5-6 (citations omitted). A jury found that AK Steel's products did not infringe these claims under the DOE, and that the asserted claims were both anticipated and obvious. ArcelorMittal appealed.

"[W]hether there is a nexus here depends upon a comparison between cold-rolled steel produced by the patented process and cold-rolled steel produced by alternative processes to see if the former achieved material commercial success over and above the latter. Absent a demonstrated nexus, ArcelorMittal's commercial success evidence is not significant." Slip op. at 19.

On appeal, the Federal Circuit first reversed the district court's construction of "hot-rolled steel sheet,"

which excluded hot-rolled steel sheets that were also cold-rolled during processing. The Court explained that the claim term “comprising” contemplates the use of unstated steps, such as cold-rolling. The Court acknowledged that the term “hot-rolled steel sheet” refers to a term that is not cold-rolled, but explained that the ’805 patent’s disclosure demonstrates that additional processing steps, such as cold-rolling, may be applied to the steel. Specifically, the Court noted that the ’805 patent refers to an optional cold-rolling step throughout the description, such as describing the purpose as including the production of a cold-rolled steel sheet. The Court also observed that several exemplary sheet thicknesses disclosed in the specification could only be achieved by cold-rolling. Because claim terms are not normally interpreted in ways that exclude examples disclosed in the specification, and because “the specification unambiguously contemplates cold-rolling,” the Court reversed the district court and held that the proper construction of “hot-rolled steel sheet” is “a steel sheet that has been hot-rolled during its production.” *Id.* at 9.

Next, the Federal Circuit affirmed the district court’s construction of “very high mechanical resistance.” The specification describes a “high” or “substantial” mechanical resistance as 1500 MPa. Because the term “very high” was not defined, the Court reasoned that a “very high” mechanical resistance must exceed a “high” resistance of 1500 MPa. The Court rejected ArcelorMittal’s argument that the specification also discloses mechanical resistances as low as 1000 MPa, noting that the specification did not refer to 1000 MPa as either “high” or “very high.” The Court also examined a prior art article coauthored by one of the inventors of the ’805 patent that described steels with “high mechanical characteristics” as having an ultimate tensile strength of greater than 1500 MPa after heat treatment. *Id.* at 11. The Court stated that although an inventor’s subjective understanding of patent terminology is irrelevant to claim construction, “when an inventor’s understanding of a claim term is expressed in the prior art, it can be evidence of how those skilled in the art would have understood that term at the time of the invention.” *Id.* Accordingly, the Court affirmed the district court’s construction that “very high mechanical resistance” means a resistance of 1500 MPa or greater. The Court then remanded for a new trial on infringement based on the proper claim constructions.

The Court next reversed the jury’s finding of anticipation based on a reference referred to as the Bano article. The Federal Circuit noted that Bano states that it is advisable to protect heat-treated parts with coatings, but does not disclose any particular coating compositions. The Court determined that Bano’s disclosure of paint coatings could support a jury finding that Bano discloses precoating the steel, but rejected the jury’s finding that Bano discloses either aluminum or aluminum alloy coatings. The Court also rejected the district court’s holding that aluminum is a member of a small class of metals that are suitable for coating boron steel and is therefore inherently disclosed by Bano. The Court observed that Bano’s disclosure of paint coatings does not support a finding that both paint and metal coatings fit into a general formula of coatings, or that they are a definite and limited class of coatings for a steel sheet. The Court further explained that one of ordinary skill in the art would not envision each member of the class of paint and metal coatings upon reading Bano, even if such a class existed. Because the Court held that Bano does not disclose aluminum coatings and that there was no substantial evidence that aluminum belongs to a definite and limited class of possible coatings, the Court reversed the jury’s verdict of anticipation and the district court’s denial of JMOL.

The Federal Circuit then turned to whether the ’805 patent was obvious over Bano and French Patent No. 1,297,906 (“the French ’906 patent”). The Court first noted that ArcelorMittal conceded that each element of the claimed invention was known in the prior art. The Court then explained that Bano and the French ’906 patent could support a jury finding a prima facie case of obviousness. First, Bano’s disclosure was sufficient to support a jury finding that it discloses applying a coating before heat treatment. Second, the French ’906 patent discloses coating steel with aluminum during hot-forging. The Court considered ArcelorMittal’s argument that hot-stamping and hot-forging are not analogous art, but concluded that this was a question of fact to be resolved by the jury. The Court determined that there was also sufficient evidence that a person of ordinary skill could have combined Bano and the French ’906 patent, and that the jury properly concluded that AK Steel established a prima facie case of

obviousness.

Finally, the Court considered whether the erroneous construction of “hot-rolled steel sheet” required a new trial on obviousness. Because the district court had instructed the jury to only consider commercial success of products covered by the asserted claims, the jury did not consider products made by both hot-rolling and cold-rolling. The Court rejected AK Steel’s argument that even if the claims included both hot-rolling and cold-rolling, the hot-rolled embodiment is obvious and, therefore, the entire claim is obvious. The Court stated that this is not a situation when the claims describe distinct alternative embodiments and where the obviousness of one embodiment invalidates the entire claim. The Court explained that the claim recites only hot-rolled steel, but also contains “comprising” language permitting the performance of additional cold-rolling steps. Under these circumstances, the commercial success of an embodiment with an additional unrecited feature may be considered when evaluating the obviousness of the claim, provided that there is a nexus between the embodiment’s success and the claimed and novel features of the invention. The Court held that the commercial success of ArcelorMittal’s cold-rolled embodiment must be considered to the extent that its success results from the claimed invention rather than solely from the cold-rolling which was not claimed. The Court remanded for a new trial to consider secondary considerations of nonobviousness on the cold-rolled embodiment.

Judge Wallach dissented-in-part from the majority’s construction of “very high mechanical resistance.” Judge Wallach argued that this term should be construed to mean in excess of 1000 MPa.

Judge Wallach pointed to the stated purpose of the invention to produce a coated steel sheet with a mechanical resistance in excess of 1000 MPa after thermal treatment. Judge Wallach also observed that the specification used the terms “high,” “very high,” and “substantial” interchangeably, and that these terms did not help to shed light on the scope of the claims. Instead, Judge Wallach focused on the purported increase in mechanical resistance in excess of 1000 MPa, as recited by the ’805 patent.

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Looking Ahead

This month, in *Pregis Corp. v. Kappos*, Nos. 10-1492, -1532 (Fed. Cir. Dec. 6, 2012), the Federal Circuit affirmed the district court's dismissal of Pregis Corporation's claim for judicial review under the APA of the PTO's issuance of a competitor's patent. The Court held that a third party cannot sue the PTO under the APA to challenge a PTO decision to issue a patent, as the comprehensive legislative scheme of the Patent Act precludes judicial review, and "competitors have an 'adequate remedy in a court' for the issuance of invalid patents." Slip op. at 15 (quoting 5 U.S.C. §§ 701(a)(1), 704).

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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Spotlight Info

In *Hor v. Chu*, No. 11-1540 (Fed. Cir. Nov. 14, 2012), the Federal Circuit reversed, inter alia, the district court's SJ that the plaintiffs' claims to correct inventorship under 35 U.S.C. § 256 were barred by laches. The patents-at-issue, listing Ching-Wu Chu as the sole inventor, were filed in 1987 and 1989, and issued in 2006 and 2010. Plaintiffs Pei-Herng Hor and Ruling Meng, who worked in Chu's research lab, filed suit to correct inventorship. Relying on the language of § 256, the Federal Circuit held that a claim for correction of inventorship does not begin to accrue until the patent issues. Further, the Court held that an omitted inventor's failure to seek correction under 35 U.S.C. § 116 or § 135 does not prevent the inventor from challenging inventorship under § 256. Because Hor and Meng filed their claims within six years of the issuance of the patents-in-suit, the Court reversed the district court's SJ in favor of Chu on the affirmative defense of laches. See this month's edition of *Last Month at the Federal Circuit* for a full summary of this decision.

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