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Last Month at the Federal Circuit

April 2012

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**A summary of Zoltek Corp. v. United States is*

not included in this edition of the newsletter.

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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Panel Majority Rejects Consideration of Patentability Under Section 101 as an Antecedent Question Before Considering Invalidity

Mukta Jhalani

Judges: Newman, Mayer (dissenting), Plager (author)

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

In *MySpace, Inc. v. GraphOn Corp.*, No. 11-1149 (Fed. Cir. Mar. 2, 2012), the Federal Circuit affirmed the district court's SJ grant of invalidity of the patents-in-suit owned by GraphOn Corp. ("GraphOn").

Plaintiffs MySpace, Inc. ("MySpace") and craigslist, Inc. ("craigslist") sought a DJ that four of GraphOn's patents were invalid and not infringed. GraphOn counterclaimed for infringement and asserted third-party claims against Fox Audience Network, Inc. (collectively with MySpace and craigslist referred to as "the MySpace parties"). The district court consolidated the suits.

The four GraphOn patents disclosed a method and apparatus that allow a user to create, modify, and search for a database record over a computer network. Specifically, the patents-in-suit claim various aspects of a system that enabled a user to control the creation and classification of the user's own database entry over a computer network such as the Internet. In this manner, users could create a database entry with their own text and graphics and then choose or create searchable categories that best matched the information.

More than two years before the filing date of the priority application for the patents-in-suit, the *Mother of all Bulletin Boards* ("MBB") was developed and was publicly available. The MBB enabled online Internet catalogues that could grow through user input. The data in the file system of the computer running the MBB was stored hierarchically, as opposed to relationally.

Collectively, the MySpace parties filed two SJ motions arguing that the MBB prior art system rendered all four patents invalid as anticipated or obvious. The district court granted the motions, concluding that all the claims were either anticipated or rendered obvious by the MBB, and entered a final Judgment against GraphOn. GraphOn appealed.

On appeal, the Federal Circuit rejected GraphOn's contention that the district court improperly construed the term "database," found in each of the 73 claims-at-issue. Rather than including both file (hierarchical) and relational systems, as construed by the district court, GraphOn urged that "database" is limited to

relational databases, and that therefore hierarchical databases, such as the MBB, are not prior art. The Federal Circuit reviewed the patent specifications and found several broad descriptions of databases and no evidence that the patentee intended to limit the term to a relational database. Thus, the Court concluded that “[b]ecause the preferred embodiments describe features contained in multiple types of databases and the written description is devoid of a clear indication that the invention should be limited to one particular type of database, it would be improper to limit the construction to relational databases.” Slip op. at 10.

“[C]ourts should avoid reaching for interpretations of broad provisions, such as § 101, when more specific statutes, such as §§102, 103, and 112, can decide the case.” Slip op. at 18.

Turning to the district court’s SJ ruling, the Federal Circuit agreed with GraphOn that the subject matter as a whole must have been obvious at the time the invention was made, but found that the district court’s analysis was sufficient to establish invalidity. The Court noted that “[t]rial courts analyzing claim limitations should strive to connect those limitations to the context of the claim as a whole when making summary judgment determinations regarding validity.” *Id.* at 11. While “[s]uch a step may seem a bit pro forma,” the Court reiterated that “patent claims are not judged solely by their individual limitations.” *Id.* Here, however, “in which all the claims share a common term that lies at the heart of the invention, we conclude that the district court’s analysis of the ‘database’ term adequately supports the court’s assessment that there is no triable issue of fact as to whether the MBB is a database as used in the claims.” *Id.* at 12. Accordingly, the Court agreed that the claims were anticipated or obvious.

Next, the Federal Circuit addressed the dissent’s opinion that this case should be decided under 35 U.S.C. § 101, rather than under §§ 102 and 103. The majority noted that “[t]he problem with addressing § 101 initially every time it is presented as a defense is that the answer in each case requires the search for a universal truth: in the broad sweep of modern innovative technologies, does this invention fall outside the breadth of human endeavor that possibly can be patented under § 101?” *Id.* at 13. In sections 102, 103, and 112, validity of particular claims turns on the application of specific criteria of the statutory section that are well developed and well understood, whereas when it comes to explaining “abstract ideas in terms that are something less than abstract, courts have been less successful.” *Id.* at 14.

Indeed, the Federal Circuit cautioned courts to avoid “the swamp of verbiage that is § 101 by exercising their inherent power to control the processes of litigation . . . and insist that litigant initially address patent invalidity issues in terms of the conditions of patentability defenses as the state provides, specifically §§ 102, 103, and 112.” In so doing, the question of validity might be concluded under these provisions, and “it would be unnecessary to enter the murky morass that is § 101 jurisprudence.” *Id.* at 17. Further, the majority explained that such an approach might have beneficial practical effects, such as “preclude [ing] § 101 claims from becoming the next toss-in for every defendant’s response to a patent infringement suit, particularly in business method litigation.” *Id.* at 19. Thus, the majority found that the proper course of action is that followed by the trial court and the parties: addressing §§ 102 and 103 as Congress has instructed without considering § 101.

Finally, the Federal Circuit rejected GraphOn’s challenges to the district court’s conclusion that the MBB system practiced the other elements of the claims. In light of the Court’s invalidity determination with respect to the term “database,” it found that none of GraphOn’s contentions were “in any way

determinative.” *Id.* at 21.

Accordingly, the majority affirmed the district court’s SJ of invalidity of the patents-in-suit.

Judge Mayer dissented, expressing his belief that “[t]he issue of whether a claimed method meets the subject matter eligibility requirements contained in 35 U.S.C. § 101 is an ‘antecedent question’ that must be addressed before [the] court can consider whether particular claims are invalid as obvious or anticipated.” Mayer Dissent at 1-2. Relying on the Supreme Court’s decision in *Bilski v. Kappos*, 130 S. Ct. 3218 (2010), Judge Mayer emphasized the role and reach of § 101 and explained that in his view “[a] robust application of [§] 101 is required to ensure that the patent laws comport with their constitutionally-defined objective.” *Id.* at 13. In his view, the claims are unpatentable as an abstract idea, not because the claims lack any practical utility, but rather “because they are *too* useful and *too* widely applied to possibly form the basis of any patentable invention.” *Id.* at 4.

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Two-Year Limit for Filing Broadening Reissue Application Under 35 U.S.C. § 251 Applies Only to Filing Date of First Broadening Reissue Application

Tina E. Hulse

Judges: Dyk (author), O'Malley (concurring), Reyna
[Appealed from Board]

In *In re Staats*, No. 10-1443 (Fed. Cir. Mar. 5, 2012), the Federal Circuit reversed and remanded the Board's decision rejecting the claims of Erik P. Staats and Robin D. Lash's (collectively "Staats") reissue application as being broadened outside of the two-year limit imposed by 35 U.S.C. § 251.

Staats filed a patent application, which issued to Staats as U.S. Patent No. 5,940,600 ("the '600 patent"). The '600 patent described improvements to the management of isochronous data transfers such as the transfer of real-time video data from one component in a computer system to another component in the computer system. The specification disclosed two embodiments: a first requiring a "linked list of buffers" corresponding to specific locations on the system's display to implement an "interrupt" system whereby, in contrast to the prior art, isochronous data transfers did not prevent the CPU from performing other tasks; and a second in which the "linked list of buffers" was not required. The '600 patent claims, however, were each directed to the first embodiment.

Prior to the expiration of the two-year period imposed by § 251, Staats timely filed a first broadening reissue application relating to the first embodiment and specifically reciting a "linked list of buffers." A declaration was filed, stating that the broadening reissue application was for "failure to claim or to further claim subject matter disclosed in the specification pertaining to [the first embodiment]." Slip op. at 4. While the first broadening reissue application was pending, and outside the two-year period under § 251, Staats filed a second broadening reissue application as a continuation of the first broadening reissue application. As with the first broadening reissue application, the second addressed errors related to the first embodiment. While the second broadening reissue application was pending, Staats filed a third broadening reissue application as a continuation of the second. During prosecution of the third application, Staats added broadened claims directed toward the second embodiment almost eight years after the original '600 patent issued.

The examiner rejected the claims under § 251, finding that the new broadened claims were "not related in any way to what was covered in the original broadening reissue." *Id.* at 5. On appeal, the Board affirmed the examiner's rejection, holding that "Staats's continuing reissue application could not 'broaden patent

claims beyond the statutory two-year period in a manner *unrelated* to the broadening aspect that was identified within the two-year period.” *Id.* at 6. Staats appealed.

The sole issue on appeal to the Federal Circuit was whether § 251 allows a continuing reissue application to add broadened claims after § 251’s two-year limit where the broadened claims are unrelated to the broadened claims filed within the two-year limit. The PTO argued that a patentee must give the public adequate notice within two years of what the patentee intends to broaden, and that such notice is not provided when the broadened claims presented outside the two-year period are unrelated and thus unforeseeable from the subject matter identified for broadening within the two-year period.

“[W]e see no basis for limiting *Doll* to situations where later broadened claims are related to, or are directed to the same embodiment as in the original application.” Slip op. at 10.

The Federal Circuit rejected the PTO’s argument, finding it inconsistent with *In re Doll*, 419 F.2d 925 (C.C.P.A. 1970). *Doll* held that § 251’s two-year time limit applied only to the filing date of a first broadening reissue application, and not to the date that the broadened claims are first presented. The Court also noted that subsequently filed continuation applications relate back to a previously filed application under 35 U.S.C. § 120 only if filed while the preceding parent application was still pending.

Additionally, the Federal Circuit denied the PTO’s attempt to distinguish *Doll* based on whether later-presented claims were related to the originally presented reissue claims. The Court found no reason to limit *Doll* to related claims and that the PTO’s attempt to limit *Doll* in such manner was “unmanageable” because “it is difficult to distinguish one patent embodiment from another or to determine when a later claim is related to an earlier claim.” *Id.* at 10. Thus, the PTO’s proposed interpretation would result in a rule that “would be difficult to administer in a consistent and predictable way.” *Id.*

Accordingly, because it was bound by *Doll*, the Federal Circuit reversed the Board’s rejection and remanded for further proceedings.

Judge O’Malley concurred in the judgment, but wrote separately because she did not believe that the only basis upon which to premise reversal is the existence of *Doll*. Rather, she would find that “the plain language of 35 U.S.C. § 251, coupled with the legislative history, the long-standing unambiguous regulations implementing the statute, all relevant case law, and common sense, all compel reversal in this case.” O’Malley Concurrence at 1. Thus, “[t]o the extent the majority fail[ed] to conduct a full statutory analysis and to recognize that each step in such a proper analysis compels that result,” she “decline[d] to join the majority’s reasoning and [wrote] separately to point out the important gaps therein.” *Id.* at 4.

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“Reasonable Manners” Standard Does Not Apply to Ex Parte Trademark Examinations

John A. Kelly

Judges: Dyk, Moore, and O’Malley (author)

[Appealed from TTAB]

In *In re Vittera Inc.*, No. 11-1354 (Fed. Cir. Mar. 6, 2012), the Federal Circuit affirmed the TTAB’s refusal to register the trademark XCEED, in standard character form, for agricultural seed. The Court found that this mark would likely cause confusion with the previously registered word and design mark for agricultural seeds X-SEED. In doing so, the Court applied its recent holding in *Citigroup Inc. v. Capital City Bank Group, Inc.*, 637 F.3d 1344 (Fed. Cir. 2011), which eliminated the “reasonable manners” standard in an *inter partes* opposition case, to *ex parte* examination cases.

Vittera Inc. (“Vittera”) sought to register the mark XCEED for agricultural seed in standard character form without claim to any particular font, style, size, or color. For the same class of goods, X-Seed, Inc. (“registrant”) had previously registered the mark X-SEED in special form as a word and design mark, consisting of a stylized letter X and surrounding dots in red with the term “-Seed” in black and outlined in gray. In its registration, X-Seed had disclaimed rights to the term “seed” apart from the mark.

The TTAB affirmed the examining attorney’s refusal to register Vittera’s mark, giving heavy weight to the identical nature of the goods involved. It also noted the similarity of the marks—sounding virtually identical—and presumed that the goods travel in overlapping trade channels and are bought by the same classes of potential customers. Regarding similarity of appearance, the TTAB applied the “reasonable manners” standard, which requires consideration of all reasonable manners in which the words could be depicted. The TTAB concluded that one reasonable variation of XCEED could include a large capital letter “X” followed by “ceed” in smaller letters, thus resembling the X-SEED mark. Because of this evidence, the TTAB agreed that purchasers familiar with X-Seed’s agricultural seed would be likely to mistakenly believe, upon encountering Vittera’s mark, that the goods originated with, or were somehow associated with or sponsored by, X-Seed, i.e., there would be a likelihood of confusion. Consequently, the TTAB affirmed the examiner’s registration refusal. Vittera appealed.

On appeal, the parties argued only one factor from *In re E.I. DuPont de Nemours & Co.*, 476 F.2d 1357, 1361 (C.C.P.A. 1973), bearing on the likelihood of confusion—the similarity of the marks. Vittera asserted that its XCEED mark and registrant’s X-Seed Mark are dissimilar because: (1) the marks differ

in appearance because of X-Seed's distinctive design and color claims; (2) the marks differ phonetically because XCEED would be pronounced "exceed" whereas X-SEED would be pronounced "X" followed by "seed"; and (3) the marks would have different connotations because Viterra's would be construed as "exceeding" customer expectations while X-Seed's would be susceptible to multiple interpretations.

“Accordingly, we find that the holding in *Citigroup* regarding the ‘reasonable manners’ standard applies equally in an *ex parte* examination context.” Slip op. at 12-13.

First, concerning the marks' appearances, the Federal Circuit agreed that the TTAB's holding that a standard character mark, like Viterra's XCEED mark, is not limited to any particular font, size, style, or color. Consequently, the Court found that Viterra's standard character mark was not distinct from X-Seed's mark registered in stylized lettering with design.

Additionally, the Federal Circuit rejected Viterra's attempt to limit *Citigroup* to *inter partes* oppositions.

The Court explained that *Citigroup*, decided after the TTAB decision on appeal in this case, broadens the potential variations of standard character marks to be considered in the likelihood-of-confusion analysis, thus making the TTAB's decision less vulnerable to attack, and nothing in that decision limits it to the *inter partes* context. Moreover, the Court confirmed that *Citigroup* applies in cases where a standard character mark is compared to a design, or word-and-design, mark. In reaffirming its rejection of the "reasonable manners" standard, the Court cautioned that standard character marks should not encompass all possible design elements of the mark, but left the determination of appropriate methods of comparison design marks with standard character marks to future cases.

The Federal Circuit also rejected Viterra's argument that the TTAB misconstrued the dominant portion of the X-Seed Mark. The Court found that the design feature of the X-Seed Mark was not entirely distinct from the literal portion of the mark; "rather, the color and design features are incorporated in the letter 'X' and are covered in part by the '-Seed' portion of the mark." Slip op. at 15. Thus, the Federal Circuit held that "[t]he design itself is a stylized letter that overlaps with, and is covered by, other literal features of the mark." *Id.* And the Court reiterated that although the registrant disclaimed exclusive rights to the term "-Seed," the dominant portion of a composite word and design mark is the literal portion, even where the literal portion has been disclaimed. Accordingly, the Court found that the TTAB's determination—that the entire literal portion "X-Seed" is the dominant portion of the mark, and not just the stylized "X"—was supported by substantial evidence.

The Federal Circuit also rejected Viterra's argument regarding the pronunciation of the marks. The Court found that substantial evidence supported the TTAB's factual findings that any minor differences in the sound of the two marks may go undetected by consumers and therefore would not be sufficient to distinguish the marks.

Finally, the Court rejected Viterra's contention that the marks have different connotations —XCEED will be construed by customers as "exceeding" their expectations, whereas the X-Seed Mark is subject to a variety of meanings—because substantial evidence supported the TTAB's conclusion that purchasers may give the same meaning of superiority to registrant's mark.

The Federal Circuit concluded that while Viterra's arguments focused on only one *DuPont* factor, the TTAB also gave "heavy weight" to the identical nature of the goods. Accordingly, although the marks

involved are not identical, the Court found “any minor differences between them . . . insufficient to outweigh the remaining factors that favor refusal of the registration in this case.” *Id.* at 18.

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Federal Circuit Rejects Limiting Claim Construction, Choosing Instead to Give Effect to Each Claim Term

Bart A. Gerstenblith

Judges: Rader (author), Linn, Moore (dissenting-in-part)

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

In *Digital-Vending Services International, LLC v. The University of Phoenix, Inc.*, No. 11-1216 (Fed. Cir. Mar. 7, 2012), the Federal Circuit vacated the district court's SJ of noninfringement with respect to some patent claims, affirmed with respect other claims, and remanded for further proceedings.

The three patents-in-suit, U.S. Patent Nos. 6,170,014 ("the '014 patent"), 6,282,573 ("the '573 patent"), and 6,606,664 ("the '664 patent") are directed to regulating access to content delivered through a computer network. All three trace their ancestry to U.S. Application No. 09/272,221 ("the '221 application") and share the same specification.

Digital-Vending Services International, LLC ("Digital-Vending") brought suit against The University of Phoenix, Inc. and Apollo Group, Inc. (collectively "Phoenix"), Capella Education Company ("Capella"), and Walden University, Inc. ("Walden") for infringement of all three patents. Digital-Vending, Capella, and Walden entered into a settlement agreement while Phoenix filed a SJ motion for noninfringement following the district court's claim construction ruling. Digital-Vending filed a motion for "clarification," seeking reconsideration of the district court's construction of the term "registered user." The district court granted Phoenix's motion for SJ, denied Digital-Vending's motion, and entered judgment in favor of Phoenix. Digital-Vending appealed.

On appeal, the Federal Circuit addressed Digital-Vending's challenges to the district court's claim construction. The Court first rejected Digital-Vending's attempt to argue a new construction for the phrase "content managed by the architecture" that was not presented to the district court. "Because Digital-Vending's newly proposed construction . . . is substantially different in scope from the construction it sought below," the Court held that it would not "review an argument not presented first to the trial court." Slip op. at 7.

"If 'registration server' were construed to inherently contain the 'free of content managed by the architecture' characteristic, the additional . . .

language in many of the asserted claims would be superfluous. . . . [and] is thus contrary to the well-established rule that ‘claims are interpreted with an eye toward giving effect to all terms in the claim.’” Slip op. at 8 (internal citation omitted).

The Federal Circuit next considered the term “registration server,” which was included in each asserted claim except claims 13-22 of the ’573 patent. Digital-Vending challenged the district court’s construction, which required the registration server to be free of content managed by the architecture. The Court reviewed the claim language, the specification, and prosecution history and determined that the district court erred in its construction.

First, the Federal Circuit noted that many of the claims specifically require the registration server to be free of content managed by the architecture, while other asserted claims merely require a registration server, without stating this additional limitation. The Court stated that “[i]f ‘registration server’ were construed to inherently contain the ‘free of content managed by the architecture’ characteristic, the additional . . . language in many of the asserted claims would be superfluous. . . . [and] is thus contrary to the well-established rule that ‘claims are interpreted with an eye toward giving effect to all terms in the claim.’” *Id.* at 8 (internal citation omitted). The Court further analogized the claim language to that in *Phillips v. AWH Corp.*, 415 F.3d 1303 (Fed. Cir. 2005) (en banc), where the Court rejected the contention that the term “baffles” inherently meant objects made of steel when a claim also referred to “steel baffles.”

Second, while parts of the specification described the registration server as being free of managed content, the Court determined that those references referred to one of the inventions claimed in the patent—a computer architecture for protecting content (claims 23-37 of the ’573 patent)—and not the second invention claimed—methods for protecting content (claims 1-22 of the ’573 patent). Referring to the claim language, the Court noted that the “architecture” claims explicitly require the registration server to be free of managed content, whereas the “method claims” do not. Further, the Court found that the specification was consistent in referring to the two inventions differently such that the inventors did not disclaim the full coverage to which they were entitled with respect to the method claims.

Third, the Federal Circuit determined that the prosecution history did not provide “any basis for reading . . . [the additional] limitation into the stand-alone phrase ‘registration server.’” *Id.* at 11. While the applicants argued four differences between the claims and a prior art reference to overcome an examiner’s rejection, the Court determined that “[w]hen the inventors’ statements ‘are considered in the context of the prosecution history as a whole, they simply are not clear and unmistakable enough to invoke the doctrine of prosecution history disclaimer.’” *Id.* at 13 (citation omitted).

Next, the Federal Circuit rejected Digital-Vending’s challenge of the district court’s construction of the term “registered user” because Digital Vending had stipulated to the term’s construction. Thus, the Court found that “[b]y stipulating to the construction that the district court adopted, Digital-Vending waived its right to challenge this construction on appeal.” *Id.* at 14 (citation omitted). The Court also noted that Digital-Vending did not challenge the district court’s denial of its motion for reconsideration as another basis for finding waiver.

Additionally, while Digital-Vending requested that the Court construe the term “server,” the Federal Circuit declined. The Court noted that the district court had not construed the term nor relied on the term in its SJ decision, and Digital-Vending did not present any reason to deviate from the general rule that an

appellate court should not consider an issue not ruled upon by the district court.

Finally, the Federal Circuit determined that because of the district court's erroneous claim construction with respect to the term "registration server," Digital-Vending was not required to show that Phoenix's registration server is free of content managed by the architecture. Further, the Court declined Phoenix's invitation to affirm on an alternative basis dependent on the construction of the term "server" because, as noted above, the district court had not construed the term. Accordingly, because Digital-Vending only challenged the district court's grant of SJ based on erroneous claim construction and did not challenge the SJ finding of noninfringement under the district court's construction, the Court held that the district court's construction of "registration server" for all claims other than claims 1-22 of the '573 patent was harmless error, and affirmed the grant of SJ with respect to those claims. With respect to claims 1-22 of the '573 patent, however, the Federal Circuit vacated the district court's SJ finding and remanded for further consideration in light of the Court's new construction.

Judge Moore dissented-in-part with respect to the majority's decision, because she would have affirmed the district court's SJ of noninfringement with respect to claims 1-22 of the '573 patent. In Judge Moore's view, "[t]his case presents one of the rare instances where a patentee clearly disavowed claim scope through limiting language in the specification." Moore Dissent at 1. Judge Moore noted that while "[t]he plain and ordinary meaning of the term 'registration server' does not require that the server be free of content managed by the architecture. But the patentee disavowed the full scope of this claim term with its repeated statements in the specification to the contrary." *Id.* at 2. Further, Judge Moore did not accept the majority's explanation that those statements did not refer to the claimed methods, because when discussing the methods, the specification refers to "the registration server 108," which is the same registration server referred to in the specification's discussion of the "architecture" claims. While Judge Moore agrees that claim language should not be rendered superfluous, "when faced with a clear case of disavowal and a claim differentiation argument, the court must always hold that the clear and unmistakable disavowal trumps." *Id.* at 6.

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April 2012

Res Judicata Does Not Bar Patent Infringement Litigation Where the Accused Devices Did Not Exist at the Outset of the Prior Litigation

Jeffrey D. Smyth

Judges: Radar, Bryson (author), Reyna

[Appealed from S.D. Fla., Judge Cooke]

In *Aspex Eyewear, Inc. v. Marchon Eyewear, Inc.*, No. 11-1147 (Fed. Cir. Mar. 14, 2012), the Federal Circuit reversed the district court's grant of SJ in favor of the defendants premised on res judicata and remanded for further proceedings.

Aspex Eyewear, Inc. ("Aspex") and the codefendants, Marchon Eyewear, Inc. ("Marchon") and Revolution Eyewear, Inc. ("Revolution"), have been engaged in patent litigation off and on for the past decade. Aspex is the owner of U.S. Patent No. RE 37,545 ("the '545 patent") titled "Auxiliary Lenses for Eyeglasses." The '545 patent discloses eyeglass frames designed to allow auxiliary frames (often containing sunglass lenses) to magnetically attach. Revolution is a manufacturer of eyeglass frames that employ magnets for the purpose of attaching auxiliary frames to the primary frames. Marchon sells primary and auxiliary frames pursuant to a license obtained from Revolution.

In an earlier iteration of this litigation, a jury awarded over \$4 million in damages to Aspex for Revolution's infringement of the '545 patent. In late 2006, during the pendency of that earlier action, Aspex also sued Marchon, alleging infringement of the '545 patent based on the same accused devices. In 2007, Revolution redesigned its frames and ceased manufacturing or distributing frames according to the old design. In 2008, Aspex and Marchon entered into a settlement agreement resolving all of the claims asserted in the 2006 action.

In April 2008, the PTO concluded an *ex parte* reexamination of the '545 patent, confirming the patentability of claim 23 as amended and allowing Aspex to add claim 35. In 2009, Aspex filed the present action, charging Marchon, Revolution, and several other defendants with infringement of claims 23 and 35, accusing the redesigned frames.

Revolution moved to dismiss the action as barred by the doctrine of res judicata in light of its previous litigation with Aspex. Marchon also moved to dismiss the action based on res judicata, and alternatively, based on the terms of its 2008 settlement agreement with Aspex. The district court granted SJ in favor of all of the defendants, finding that Aspex's claims in the present action were identical to the claims that

either were, or could have been, raised in the earlier litigation activities. The district court further held that the settlement agreement alternatively barred Aspex's current claim against Marchon.

On appeal, Aspex argued that the district court improperly barred its claims because, due to the reexamination amendments, claims 23 and 35 were not in existence at the time of the prior litigation against the defendants and thus could not have been pursued at that time. The Federal Circuit disagreed, explaining that reexamination of the '545 patent did not create new causes of action separate from the causes of action created by the original patent. Rather, the two claims were merely new versions of claims that were part of the '545 patent prior to reexamination. The Court further agreed with the district court's finding that any changes to the claims were insubstantial and at most narrowed the scope of the claims in respects not affecting the products at issue. Finally, the Court pointed out Aspex's flawed reliance on cases involving reissue patents, drawing several distinctions between the two distinct PTO proceedings.

“...[R]es judicata does not bar Aspex’s lawsuit with respect to accused products that were not in existence at the time of the California Actions for the simple reason that res judicata requires that in order for a particular claim to be barred, it is necessary that the claim either was asserted, or could have been asserted, in the prior action.” Slip op. at 12.

Despite rejecting Aspex's primary argument, the Court found Aspex's secondary argument persuasive. Both Revolution and Marchon argued that res judicata was appropriate in this instance because the accused products at issue in the present case are “essentially the same” as the products accused in the earlier litigation. The Court rejected this argument, finding that res judicata did not bar the present lawsuit with respect to products that were not in existence at the time of the earlier litigation “for the simple reason that in order for a particular claim to be barred, it is necessary that the claim either was asserted, or could have been asserted, in the prior action.” Slip op. at 12. “If the claim did not exist at the time of the earlier action, it could not have been asserted in that action and is not barred by res judicata.” *Id.*

The Court noted that it has regularly applied this principle to patent cases, particularly in cases involving sequential acts of infringement. The Court held that res judicata did not apply here, because Aspex accused products were made and sold only after the earlier litigation commenced.

In rejecting the defendant's arguments on this secondary point, the Court noted that the main case relied on by Revolution and Marchon effectively applied the doctrine of collateral estoppel, not res judicata. The Court noted that collateral estoppel doctrine may be applicable to the present case, but that since neither party had the opportunity to brief it, the district court needed to address it on remand. The Court also noted that the district court needed to determine whether Aspex and Revolution consented to have the court in the prior litigation adjudicate their rights as to the products created during the pendency of that case.

The third issue addressed by the Court was whether Marchon's SJ motion was properly granted in light of the 2008 settlement agreement. After reviewing the terms of the agreement, the Court concluded that the motion was improperly granted and that the terms of the settlement agreement did not expressly encompass the newly designed products. The Court reasoned that when parties decide to depart from the normal rule that the products at issue in a patent infringement case are those in existence at the time the suit was filed, the departure “must be express” in the terms of the agreement. Slip op. at 20. The Court found that not only did the agreement fail to expressly include the newly designed products, but

several of the terms of the agreement suggested to the contrary that the focus of the agreement was solely on products manufactured according to the old design. Thus, the Court concluded that the settlement agreement did not bar Aspex's claims in the present litigation.

Finally, the Court considered the proper claim construction of the claims of the '545 patent. The Court noted that although it was not compelled to review the district court's claim construction during these proceedings, because there was no judgment of noninfringement, it would do so anyway to conserve judicial resources.

With respect to the first disputed term, the Court held that the term "eyeglass device" found in the preamble of the independent claims should not be construed to add a limitation to any of the claims, but should instead be interpreted as generally referring to the combination of a primary and auxiliary frame. The Court noted that, generally, preamble language is not treated as limiting, and in this case the defendants had not adequately justified a departure from the general rule.

The Court next construed the term "magnetic member." Aspex argued that the term should not only include permanent magnets, but also ferromagnetic substances, which are affected by magnetic fields. The Court agreed with Aspex, finding its argument based on claim differentiation persuasive. Specifically, the Court found that claim 35, a dependant claim of claim 23, added the limitation that the "magnetic members of the auxiliary spectacle frame are magnets." The Court found that the claims would be entirely duplicative, should it adopt the defendants' proposed construction.

The Court next considered the term "rearwardly directed free end," and again agreed with Aspex, holding that the district court's construction effectively wrote the term "free" out of the limitation. The Court noted that although the patent specification does not use the term "free" when describing the rearwardly directed end portion, the figures clearly illustrate that each arm has a free end.

Finally, the Court construed the term "said arms and said pair of magnetic members adapted to extend across respective side portions of a primary spectacle frame." Aspex primarily challenged the district court's construction as related to the term "adapted to." Aspex argued that the phrase "adapted to" should be interpreted to mean "suitable for" rather than "made to." The Court rejected the plaintiff's contentions, recognizing that the phrase "adapted to" is sometimes used in accordance with this broader definition, but that in this case the narrower interpretation is appropriate.

The Court reasoned that in the context of the '545 patent, the language of the claim itself is "most naturally" understood to mean that the arms and magnetic members are designed or configured to accomplish the specified objective. Further lending support to this interpretation, claim 22 used the phrase "capable of engaging" in relation to magnetic members. The Court found that the use of different terminology in adjacent claims suggests that the narrower interpretation is appropriate.

In sum, having reversed the district court's grant of SJ on the basis of res judicata, the Court remanded the case for further proceedings consistent with its opinion.

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En Banc Court Holds that Intervening Rights Are Invoked for New or Amended Claims Only

Amelia F. Baur

Judges: Rader, Newman, Lourie (author), Bryson, Gajarsa, Linn, Dyk (dissenting-in-part), Prost, Reyna, and Wallach

[Appealed from D.N.H., Judge DiClerico, Jr.]

In *Marine Polymer Technologies, Inc. v. HemCon, Inc.*, No. 10-1548 (Fed. Cir. Mar. 15, 2012) (en banc), the Federal Circuit, sitting en banc, held that intervening rights do not apply to claims that have not been amended and are not new, and affirmed the judgment of the district court that HemCon, Inc. (“HemCon”) infringed U.S. Patent 6,864,245 (“the ‘245 patent”) assigned to Marine Polymer Technologies, Inc. (“Marine Polymer”).

Marine Polymer accused HemCon of infringing the ‘245 patent, which claims preparations of “biocompatible” poly-β-1→4-N-acetylglucosamine (“p-GlcNAc”) used to treat serious wounds. The district court found the patent valid and infringed, and awarded Marine Polymer \$29.4 million in damages. Initially, HemCon appealed to the Federal Circuit (“the panel”) and argued that the verdict should be overturned under the doctrine of intervening rights. While the litigation was in progress, HemCon initiated an *ex parte* reexamination of the patent, where, according to HemCon, Marine Polymer amended the claims thus giving rise to intervening rights. During the reexamination proceeding, Marine Polymer argued for a narrower construction of the term “biocompatible” and canceled claims that might be inconsistent with this narrower construction. Marine Polymer neither added any new claims nor amended any existing claim. The examiner in the reexamination proceeding subsequently upheld the patentability of the remaining claims.

The panel agreed that HemCon had acquired intervening rights and overturned the district court decision. Marine Polymer filed a petition for rehearing en banc, which was granted, and a majority of the en banc Court held that HemCon had not acquired intervening rights, because Marine Polymer had not amended claims nor added new claims during the reexamination proceeding. While the Court was split as to whether the district court’s claim construction was correct, it nevertheless affirmed the district court’s decision of infringement.

With respect to claim construction, HemCon argued that the district court’s construction of “biocompatible”—to mean *no* detectable biological reactivity—was erroneous. In supporting this

assertion, HemCon relied primarily on the presence of the six dependent claims in the original '245 patent (eventually cancelled in reexamination) that required elution test scores of one or two, as well as passages in the specification characterizing certain biocompatibility tests as being satisfied despite detectable bioreactivity.

The Court ultimately found HemCon's focus on the possibility of non-zero "passing" scores unpersuasive. The Court reasoned that the specification discussed non-zero passing scores only in generalized descriptions of test methods used to assess biocompatibility, but "when read as a whole, the specification makes clear that the p-GlcNAc *of the invention* outperforms baseline standards and shows 'no detectable biological reactivity as determined by biocompatibility tests.'" Slip op. at 14. An equally divided Court thus affirmed the district court's construction of "biocompatible" as meaning p-GlcNAc "with low variability, high purity, and *no* detectable biological reactivity as determined by biocompatibility tests." *Id.* (emphasis added).

"[T]he first question when assessing whether intervening rights arose from a reexamination is whether the asserted claim is 'amended or new'; if the answer is no, that ends the inquiry. Only if the claim at issue is new or has been amended may the court proceed to the second step in the analysis and assess the substantive effect of any such change pursuant to § 252." Slip op. at 21.

In addition, HemCon sought to overturn the jury's award of \$29 million in damages as unreasonable and not supported by substantial evidence. Specifically, HemCon argued that Marine Polymer's expert lacked a sufficient basis for his testimony on what would constitute a reasonable royalty rate and that the jury improperly relied on the entire market value for its damages calculation. The Court affirmed the jury's damage award, reasoning that both experts used the same method to calculate total sales of the accused products, and Marine Polymer's use of "the entire market value" as the royalty base was acceptable. The Court further held that the jury was entitled to evaluate the conflicting evidence and credit the testimony of Marine Polymer's expert over that of HemCon. Thus, the Court affirmed the damages award.

As to intervening rights, HemCon argued that it did not infringe the '245 patent because it acquired intervening rights during the reexamination proceeding. HemCon asserted that the district court's interpretation of "biocompatible" incorrectly narrowed the term by requiring "no" detectable biological reactivity, a construction it alleges conflicts not only with statements in the specification, but also with the presence of dependent claims reciting elution test scores of one or two. HemCon contends that prior to reexamination, the term "biocompatible" must have encompassed low, non-zero levels of bioreactivity, so that the proper construction *at that time* was necessarily broader than the district court's interpretation.

HemCon also argued that by cancelling certain dependent claims that recited non-zero bioreactivity levels, and persuading the examiner to adopt the district court's construction of "biocompatible" during reexamination, Marine Polymer affected a substantive change in the scope of each remaining claim—essentially, from allowing some reactivity in the originally issued claims to permitting "no detectable biological reactivity" after reexamination. Citing the Federal Circuit's decision in *Lairtram Corp. v. NEC Corp.*, 163 F.3d 1342, 1346-47 (Fed. Cir. 1998), HemCon argued that the key to intervening rights lies in determining "whether the *scope* of the reexamined claims differs from the original claims." Slip op. at 17, citing Corrected Br. for Defendant-Appellant at 37, 2010 WL 5650491. HemCon concluded that this

perceived “substantive change” to the surviving claims of the ’245 patent during reexamination triggered intervening rights with respect to those claims. Marine Polymer disagreed and argued that intervening rights cannot apply with respect to claims that have not been amended or newly introduced in the reexamination proceeding.

The Court agreed with Marine Polymer that intervening rights do not apply here, because the claims had not been amended and were not new. The Court opined that with respect to reissued patents, the concept of intervening rights was codified by the Patent Act of 1952, and that intervening rights do not accrue where the accused product or activity infringes a claim that existed in the original patent and remains “without substantive change” after reissue. Slip op. at 18-19 (citing *Seattle Box Co. v. Indus. Crating & Packing, Inc.*, 731 F.2d 818, 827-28 (Fed. Cir. 1984)). The Court noted that although intervening rights originated as a defense against patents modified through reissue procedures, the doctrine has since been extended to the context of patent reexamination. Pursuant to 35 U.S.C. §§ 307 (b) and 316(b), respectively, both *ex parte* and *inter partes* reexaminations can give rise to intervening rights. Thus, after a patent emerges from reexamination, the statute makes available intervening rights to the same extent provided in the reissue statute, but only with respect to “amended or new” claims in the reexamined patent.

A majority of the Court held that even if the district court’s claim construction was erroneous, HemCon’s intervening rights argument must fail because it disregards the plain and unambiguous language of § 307 (b), which governs intervening rights arising from *ex parte* reexamination and specifies that only “amended or new” claims incorporated into a patent during reexamination “will have the same effect as that specified in section 252,” *i.e.*, will be susceptible to intervening rights. The Court found that HemCon ignored this threshold statutory requirement and asked that the Court proceed directly to the subsidiary “substantive change” analysis, which derives from § 252. Slip op. at 21, (citing *Kaufman Co. v. Lantech, Inc.*, 807 F.2d 970, 975-77 (Fed. Cir. 1986)). The Court concluded that “under § 307(b), the first question when assessing whether intervening rights [arise] from a reexamination is whether the asserted claim is ‘amended or new’; if the answer is no, that ends the inquiry. Only if the claim at issue is new or has been amended may the court proceed to the second step in the analysis and assess the substantive effect of any such change pursuant to § 252.” Slip op. at 21.

The Court reasoned that here, the patent claims asserted against HemCon were neither “new” nor “amended”—claims 6, 7, 10-12, 17, and 20 contained identical language before *and* after reexamination. *Id.* Whether or not Marine Polymer’s arguments to the examiner and cancellation of claims during reexamination may have affected the remaining claims’ effective scope, the Court found that Marine Polymer did not “amend” those claims for intervening rights purposes or make them “new,” which is what the statutory language requires. The Court thus concluded that intervening rights were unavailable under § 307(b) as a matter of law.

HemCon argued that Marine Polymer’s actions in reexamination rendered the asserted claims effectively “amended” by disavowal or estoppel, even though the language of the claims was not formally changed.

The Court disagreed, reasoning that “amend” means “to alter . . . formally by adding, deleting, or rephrasing.” Slip op. at 22 (citing *American Heritage College Dictionary* 42-43 (3d ed. 1997)). The Court further held that even if the term were ambiguous standing alone, any doubts are resolved by its context within § 307, which identifies three categories of claims in a reexamined patent, one of them being amended or new claims. Finally, the Court reasoned that it is clear that “amended” is a term of art in patent prosecution, including reexamination proceedings, and in that context connotes formal changes to the actual language of a claim. The Court concluded that a claim can not be “amended” for purposes of

§ 307(b) without changing the claim language itself. The Court thus determined that intervening rights did not apply here, since the actual words of the claims had not changed, and no new claim had been introduced during the reexamination proceeding.

Judge Dyk dissented with the majority's claim construction analysis, noting that the majority construed the term based upon only two instances or examples in the specification. Judge Dyk commented that the majority's approach to claim construction would enable patentees to eliminate questions of validity by narrowing claims in accordance with a preferred embodiment or single example, while also allowing alleged infringers to narrow claims beyond their valid scope to avoid infringement.

With respect to the intervening rights issue, in Judge Dyk's view, the majority is incorrect in their statutory interpretation of §307(b). In particular, Judge Dyk noted that §307(b) specifically incorporates the intervening rights provisions of reissued patents found in §252, and contended that Congress was explicit that §307(b) should be interpreted to be identical in scope to §252. Thus, the "amended or new" language in §307(b) was clearly intended to have the same meaning as "substantially identical" in §252. According to Judge Dyk, the focus then should be on whether the old and new claims are "substantially identical," not on whether the actual words of the claim had changed.

Here, Judge Dyk commented that the original and new claims were not "substantially identical." He reasoned that during reexamination the patentee agreed, by both argument and by amending the claims to cancel six dependent claims, that the term "biocompatible" should be construed to mean "no detectable biological reactivity." In doing so, Judge Dyk believed that the patentee adopted a construction that was different than the correct construction of the original claims, namely that "biocompatible" meant, inter alia, "little or no detectable reactivity." The effect was to narrow the claims and protect them from a finding of invalidity.

Finally, in Judge Dyk's view, not every argument during reexamination should give rise to intervening rights, but intervening rights should be available where an argument during reexamination rises to the level of a clear and unambiguous disclaimer or disavowal of the original, correct claim construction. He would find that Marine Polymer clearly and unambiguously disclaimed the scope of its claim by effectively becoming its own lexicographer and presenting a specific, limiting definition of the term "biocompatible."

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April 2012

Product Marks Are Entitled to Independent Strength Even When Advertised with Famous House Marks

Danny M. Awdeh & Corinne L. Miller

Judges: Newman (author), Plager, Reyna
[Appealed from TTAB]

In *Bridgestone Americas Tire Operations, LLC v. Federal Corp.*, No. 10-1376 (Fed. Cir. Mar. 16, 2012), the Federal Circuit reversed the TTAB's decision dismissing Bridgestone Americas Tire Operations, LLC and Bridgestone Corporation's (collectively "Bridgestone") opposition to Federal Corporation's ("Federal") registration of the mark MILANZA for tires, where the TTAB found no likelihood of confusion with Bridgestone's prior registered marks POTENZA and TURANZA for tires.

In rendering its decision, the TTAB applied the principal factors relevant to determining whether a likelihood of confusion exists, as set forth in *In re E. I. Du Pont de Nemours & Co.*, 476 F.2d 1357, 1361 (C.C.P.A. 1973). On the one hand, the TTAB found that both Bridgestone and Federal use the marks for the same goods sold to the same classes of consumers, under similar sales conditions, which weighed in favor of a likelihood of confusion. On the other hand, the TTAB found that the marks POTENZA and TURANZA had not achieved significant recognition independent of the BRIDGESTONE house mark and that MILANZA differs sufficiently from POTENZA and TURANZA such that confusion is not likely. Bridgestone offered survey evidence empirically proving that consumers are likely to be confused, but the TTAB afforded little weight to the evidence and held that the dissimilarity of the marks outweighed the other relevant factors. Ultimately, the TTAB concluded that confusion was not likely and dismissed Bridgestone's opposition.

On appeal, Bridgestone pursued two primary arguments. First, Bridgestone argued that the TTAB should be reversed for failing to follow the Court's precedent in *Bose Corp. v. QSC Audio Prods., Inc.*, 293 F.3d 1367 (Fed. Cir. 2002). There, the Court held that product trademarks can achieve commercial strength and fame even when the marks frequently appear in the same advertisements and materials with an even more famous house mark. Bridgestone argued that the TTAB strayed far from both the letter and spirit of this precedent in ways that could have profound adverse ramifications for trademark owners and the public by essentially holding that product marks can never be deemed commercially strong or famous unless they are completely divorced from house marks, like BRIDGESTONE.

“This court has cautioned that there is no excuse for even approaching the well-known trademark of a competitor. This caution applies here; the prior user is entitled to the traditional protections of its marks of trade, as against newcomers choosing a confusingly similar mark for the same goods.” Slip op. at 10 (citation and quotation omitted).

Second, Bridgestone argued that the TTAB failed to follow the evidentiary record in favor of its own unsubstantiated theories on how POTENZA and TURANZA would be perceived differently from MILANZA by consumers. Bridgestone noted the lack of record evidence establishing that consumers perceive POTENZA, TURANZA, or MILANZA as anything other than fanciful marks sharing the same Italian theme, sound, cadence, three-syllable rhythm, rhyme, and unifying -NZA suffix. Bridgestone pointed to two surveys conducted during the opposition empirically confirming that consumers perceive these very similarities. In response, Federal argued that POTENZA and TURANZA are weak marks and that MILANZA has a different commercial impression tied to the famous Italian city, Milan. Federal also argued that it used the suffix “ZA” because it imparts emphasis in the Chinese language and Federal is a Taiwanese company.

The Court reversed the TTAB, agreeing with Bridgestone and concluding that the concurrent use of the BRIDGESTONE house mark does not diminish the status of POTENZA and TURANZA as strong marks. The Court found that Bridgestone established commercial strength through evidence of prolonged exclusive use, extensive promotion and marketing, and billions of dollars of sales of tires bearing the marks. The Court noted that a “unique arbitrary word mark does not lose its strength as a trademark when the manufacturer is identified along with the branded product. Each identification may have trade significance.” Slip op. at 9.

The Court also agreed that where, as here, the parties’ goods are identical, similarities in sound, appearance, or connotation are more likely to cause confusion than where the goods are significantly different. Citing *Bose*, which involved the marks WAVE, ACOUSTIC WAVE, and POWERWAVE, the Court noted that the presence of a common root element may on its own create “a strong similarity” between marks. *Id.* at 9. Finally, the Court noted that there is a heavy burden on a newcomer to avoid consumer confusion when selecting a mark, cautioning that there is “no excuse for even approaching the well-known trademark of a competitor.” *Id.* at 10 (citation omitted).

Considering the identity of the goods, the lengthy prior use of POTENZA and TURANZA, the strength of those marks, and the similarities between POTENZA, TURANZA, and MILANZA, the Court held that MILANZA is likely to cause consumer confusion, deception, or mistake. Thus, the Court concluded that the TTAB erred in denying Bridgestone’s opposition and reversed the TTAB’s decision.

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April 2012

Telephone Conversation Is Sufficient To Support DJ Jurisdiction

Christopher J. Siebens

Judges: Chief Judge Rader, Lourie (author), Linn

[Appealed from D. Minn., Chief Judge Davis]

In *3M Company v. Avery Dennison Corp.*, No. 11-1339 (Fed. Cir. Mar. 26, 2012), the Federal Circuit vacated and remanded the district court's dismissal of a DJ action for lack of a case or controversy. The Federal Circuit held that the district court erred in determining that it would not have subject matter jurisdiction under the facts as alleged by 3M Company ("3M"), and the district court did not resolve the factual disputes necessary to determine if jurisdiction was proper.

Avery Dennison Corp. ("Avery") and 3M are direct competitors in the retroreflective sheeting product market and have engaged in previous litigation. This dispute centered around two of Avery's reissue patents directed to retroreflective sheeting technology, U.S. Patents RE40,455 and RE40,700 (collectively the "Heenan patents"). Avery's Chief IP Counsel informed 3M's Chief IP Counsel over the telephone that 3M's Diamond Grade DG3 sheeting products "may infringe" the Heenan patents and that "licenses are available." Slip op. at 3-4. After 3M's counsel rejected Avery's counsel's offer to license the Heenan patents, also over the telephone, Avery's counsel explained that it had performed an analysis of 3M's Diamond Grade DG3 product with reference to the Heenan patents and that Avery would "send claim charts." Avery, however, never provided 3M with claim charts.

3M later filed a patent infringement suit against Avery, alleging that Avery's OmniCube T-11500 retroreflective sheeting product, in addition to other products, infringed several 3M patents. Included in the complaint were counts for DJ of noninfringement, invalidity, and intervening rights concerning the Heenan patents. 3M informed Avery that it would dismiss its DJ claims if Avery provided 3M with a covenant not to sue. Avery did not respond.

3M later cancelled its DJ claims but filed them as a new complaint in a separate action. Avery moved to dismiss the new DJ claims under Fed. R. Civ. P. 12(b)(1) for lack of subject matter jurisdiction and included in its motion a factual challenge to 3M's DJ complaint. The district court granted Avery's motion concluding that, "even accepting the facts as set forth by 3M," subject matter jurisdiction did not exist at the time 3M filed its DJ complaint.

On appeal, the Federal Circuit first explained that, although there is no bright line rule to determine

whether a DJ action satisfies Article III's case-or-controversy requirements, the dispute must be "definite and concrete, touching the legal relations of parties having adverse legal interests," "real and substantial," and "admi[t] of specific relief through a decree of a conclusive character." Slip op. at 7 (quoting *MedImmune, Inc. v. Genentech, Inc.*, 549 U.S. 118, 127 (2007)). The Court noted that, in this case, the parties framed the jurisdictional issue as a standing question. Employing the doctrine of standing, the Court explained that, in order to establish an injury in fact traceable to the patentee, a DJ plaintiff must allege an affirmative act by the patentee relating to the enforcement of his patent rights. The Court then proceeded to review *de novo* the district court's dismissal of 3M's DJ action.

"Those communications, if found by the district court, would be sufficient to constitute a case or controversy between 3M and Avery. That Sardesai employed the term 'may infringe' instead of 'does infringe' is immaterial in light of his offer to license the Heenan patents, his representation that Avery had analyzed the Diamond Grade DG3, and his statement that claim charts would be forthcoming." Slip op. at 12.

First, the Court considered the dispute between the parties regarding which facts should be considered on appeal. Specifically, Avery alleges that the district court failed to resolve two key factual disputes: (1) whether 3M proved that Avery's Chief IP Counsel stated that 3M "may infringe," that "licenses are available," and that Avery would "send claim charts"; and (2) whether those conversations were subject to a confidentiality agreement precluding their use as a basis to support a DJ action. The Court rejected 3M's contention that it would be inappropriate to remand the case for additional fact finding in view of its belief that communications between the parties regarding the Heenan patents were "not truly disputed." In doing so, the Court explained that it would be improper to determine factual issues in the first instance on appeal, given that the disputed facts are central to the jurisdictional analysis. Because finding those facts in the first instance would overstep the Court's bounds as a reviewing court, the Court declined to resolve the parties' factual disputes on appeal and concluded that the case must be remanded. *Id.* at 9.

Next, the Court analyzed and rejected the district court's holding that it did not have jurisdiction in view of the lack of a justiciable controversy between the parties, even if it took the facts alleged by 3M as true. In particular, the Court made clear that the district court on remand must find the salient facts and, after finding those facts, determine whether those facts support a conclusion that a case or controversy exists between 3M and Avery. The Court then considered the parties' arguments whether the circumstances demonstrate a substantial, real, and immediate controversy between 3M and Avery, and ultimately agreed with 3M that the facts alleged in its complaint—if found by the district court on remand—would demonstrate the existence of a case or controversy under the DJ Act.

Finally, the Court considered the materiality of each of the alleged circumstances directed to establishing the existence of a "definite and concrete" dispute. First, the Court determined that the telephonic communications between the parties regarding the Heenan patents, if found by the district court, would be sufficient to constitute a case or controversy between 3M and Avery. The Court rejected Avery's assertions that the communications were passing remarks made informally over the telephone, not in a formal cease-and-desist letter with prescribed deadlines, and that these facts weigh against concluding that jurisdiction is proper.

The Court then observed that the remaining circumstances would not strongly weigh in either direction toward concluding that 3M has proven the existence of a case or controversy. In particular, the Court

found the prior litigious conduct between the parties to be equivocal in determining the existence of a controversy, and also agreed with Avery that its decision to initiate reissue proceedings for the Heenan patents would not weigh strongly in favor of finding a case or controversy. The Court disagreed, however, with Avery's assertion that the district court properly concluded that 3M's delay in filing suit weighed against finding subject matter jurisdiction. In doing so, it noted that the relevant circumstances surrounding Avery's assertion of its patent rights appear to have remained unchanged during the over-one-year period between Avery's assertion of patent rights and 3M's filing of the DJ complaint. Lastly, the Court explained that Avery's failure to provide a covenant not to sue, although relevant to the determination of DJ jurisdiction, is not dispositive.

Accordingly, the Court held that the district court on remand should resolve Avery's factual challenges and determine, in light of those factual findings, if 3M has proven the existence of a case or controversy under the DJ Act.

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Means-Plus-Function Limitations Are Indefinite Under 35 U.S.C. § 112, ¶ 2 Where A Specially Adapted Computer Is Required, But Patent Does Not Disclose Algorithm

Matthew R. Van Eman

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

[Appealed from D. Me., Judge Singal]

In *Ergo Licensing, LLC v. Carefusion 303, Inc.*, No. 11-1229 (Fed. Cir. Mar. 26, 2012), the Federal Circuit affirmed the district court's holding that the terms "control means" and "programmable control means" are indefinite because the patent specification failed to disclose any corresponding structure.

Ergo Licensing, LLC ("Ergo") accused Carefusion 303, Inc. ("Carefusion") of infringing claims of U.S. Patent No. 5,507,412 ("the '412 patent"), which relates to an infusion system used to meter and deliver fluids from multiple fluid sources into a patient's body. The infusion system includes adjusting means for controlling the fluid flow from the multiple fluid sources. Prior to the *Markman* hearing, the parties stipulated that several terms were means-plus-function terms, including the terms "programmable control means" and "control means." The asserted claims recited "programmable control means coupled with said adjusting means for controlling said adjusting means," and the parties also agreed that the function of each of the terms is "controlling the adjusting means." The district court held that the "control means" terms were indefinite for failure to disclose corresponding structure, and Ergo appealed.

On appeal, the Federal Circuit explained that 35 U.S.C. § 112, ¶ 2 requires that a patent specification "conclude with one or more claims particularly pointing out and distinctly claiming the subject matter which the applicant regards as his invention." The Court further explained that § 112, ¶ 6 provides that an applicant may express an element of a claim "as a means or step for performing a specified function . . . and such claim shall be construed to cover the corresponding structure . . . described in the specification and equivalents thereof." In exchange for the ability to use the means-plus-function language, a patent applicant must indicate what structure constitutes the means for performing the function. If an applicant does not disclose structure for a means-plus-function term, the claim is indefinite.

"[A] general-purpose computer is sufficient structure if the function of a term such as 'means for processing' requires no more than merely 'processing,' which any general-purpose computer may do without special programming. If

special programming is required for a general-purpose computer to perform the claims function, then the default rule requiring disclosure of an algorithm applies.” Slip op. at 7.

Ergo argued that the corresponding structure for “control means” is a “control device” because such a generic structure is known to those skilled in the art. In addition, Ergo argued that such a structure is synonymous with a general-purpose computer even though a computer is not recited in the specification. Furthermore, Ergo argued that the specification describes additional structures, including that the control device has processing capabilities, can generate control commands, has memory, and has “programming means.”

The Federal Circuit disagreed, finding that none of the disclosures cited by Ergo constitutes structure for performing the claimed function. In particular, the Court explained that “control device” provided no more structure than the term “control means,” and the description of “memory” was insufficient because memory is not a structure capable of performing the claimed function. In addition, the Court found that expert testimony of Ergo demonstrated that those skilled in the art would not recognize “control device” as a known structure. Specifically, Ergo’s expert described three different types of control devices that are commonly available, indicating that “control device” is not a specific structure.

The Federal Circuit also rejected Ergo’s argument that the specification provided adequate structure because one skilled in the art would understand “control device” to be a general-purpose computer. The Court explained that even if it accepted that “control device” refers to a general-purpose computer, that would still not satisfy the requirements of § 112, ¶¶ 2 and 6. In *WMS Gaming Inc. v. International Game Technology*, 184 F.3d 1339, 1348 (Fed. Cir. 1999), the Court explained that computer-implemented, means-plus-function terms are limited to algorithms disclosed in the specification. The Court explained, therefore, that § 112, ¶ 6 requires more than just disclosure of a general-purpose computer, and disclosure of an algorithm is required to properly define the scope of a claim, except in the limited circumstance in which the claimed function can be achieved by any general-purpose computer without special programming, as discussed in *In re Katz Interactive Call Processing Patent Litigation*, 639 F.3d 1303, 1316 (Fed. Cir. 2011). In this case, the Court found that the “control means” at issue cannot be performed by a general-purpose computer because the claimed function requires more than merely plugging in a general-purpose computer. And the specification in this case does not describe any algorithm for performing the function of “controlling the adjusting means.”

Judge Newman, in a dissenting opinion, stated that the Court departed from established protocols of claim drafting. In particular, Judge Newman explained that the claims of the ’412 patent were written in the standard manner of thousands of claims in electronic cyber-assisted technologies, and certain steps in the claims are controlled by a device according to known methods set forth in the specification.

Judge Newman also explained that the PTO did not find the claims inadequate for failure to describe a control means and the PTO’s expertise in this area warrants deference. Furthermore, Judge Newman found that the content of the ’412 patent specification is appropriate and routine. The invention, according to Judge Newman, is the overall system, which is described adequately in ten columns of text with four figures, including a detailed description of the function and operation of the control device. She also explained that the ’412 patent specification made it clear that the invention is the arrangement of components, not any special component, and that the inventor is not claiming the control device as the invention. Furthermore, the specification describes prior-art structures that perform control functions, and

no party disputed that a person of skill in the art could routinely instruct a control device to perform the described control.

Judge Newman expressed concern that the Court's holding in this case finds standard drafting procedures, as found in thousands of computer-assisted applications, to now be insufficient. She argues, therefore, that precedent does not require a function to be implemented by a single structure and that standards set forth in the Court's decisions have been met.

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Decision Compelling Arbitration Affirmed Where Valid Agreement Exists

Joyce Craig

Judges: Rader, Newman (dissent), Dyk (author)

[Appealed from W.D. Wis.. Judge Crabb]

In *Promega Corporation v. Life Technologies Corporation*, No. 11-1263 (Fed. Cir. Mar. 28, 2012), the Federal Circuit affirmed the district court's decision granting Invitrogen IP Holdings, Inc.'s ("IP Holdings") motion to compel arbitration.

In 1996, Research Genetics, Inc. ("Research Genetics") was the exclusive worldwide licensee of patents and patent applications in the United States, Europe, and Japan (collectively, the "licensed patents") relating to genetic identification, including U.S. Patent No. RE37,984 ("the '984 patent"). On June 19, 1996, Research Genetics entered into a license agreement (the "1996 agreement") with Promega Corporation ("Promega"), which granted Promega "an exclusive, worldwide, license under [the licensed patents] " in certain markets and a nonexclusive license under the licensed patents for all other uses, other than those exclusively reserved for Research Genetics.

Under the terms of the 1996 agreement, Promega was required to pay Research Genetics a royalty on all products sold pursuant to the exclusive license grant. Additionally, Promega had the right to sublicense the licensed patents. The 1996 agreement included an arbitration clause which provided that "[a]ll controversies or disputes arising out of or relating to this Agreement, or relating to the breach thereof, shall be resolved by arbitration."

The 1996 agreement also provided that the agreement could "not be assigned by either party without the express written consent of the other party." In 2001, in connection with Research Genetics' merger into its parent company, Invitrogen Corporation ("Invitrogen"), Promega granted written consent to assign Research Genetics' rights under the 1996 agreement to Invitrogen. In 2003, Promega granted Invitrogen written consent to assign its rights under the 1996 agreement to IP Holdings, a wholly-owned subsidiary of Invitrogen. On November 21, 2008, Invitrogen merged with Applied Biosystems Inc. ("AB"), one of Promega's sublicensees, and changed its name to Life Technologies Corporation ("Life Technologies"). IP Holdings remained a wholly-owned subsidiary of Life Technologies.

After the merger with AB, Life Technologies concluded that Promega had been paying less than it was required to pay on Promega's sublicensees' sales of products incorporating the licensed patents.

Promega disagreed with Life Technologies' calculation of the royalties due. After negotiations between the parties failed, Life Technologies demanded arbitration pursuant to the 1996 agreement, contending that Promega failed to comply with the 1996 agreement and demanding an accounting of all sales of the licensed technology by Promega's sublicensees.

Rather than submit to arbitration, Promega sued Life Technologies in district court, seeking a DJ of nonarbitrability of Life Technologies' claims under the 1996 agreement, and alleging, inter alia, infringement of five U.S. patents, including the '984 patent. Specifically, Promega contended that the rights under the 1996 agreement had never been assigned to Life Technologies, and that Life Technologies was therefore not entitled to demand arbitration. In the course of preparing its responses to Promega's filings, Life Technologies discovered that IP Holdings had not assigned its rights under the 1996 agreement to Life Technologies. Accordingly, IP Holdings served Promega with a demand for arbitration on behalf of IP Holdings. IP Holdings also filed a motion to compel arbitration.

After limited discovery on the questions of whether IP Holdings was the current assignee of the 1996 agreement and whether IP Holdings maintained its legal existence, the district court entered an order compelling arbitration between Promega and IP Holdings with respect to those claims relating to the 1996 agreement. The district court's order was certified as a final order pursuant to Federal Rule of Civil Procedure 54(b).

On appeal, the Federal Circuit first concluded that the issues of arbitrability were not intimately involved in the substance of enforcement of a patent right, and thus the Court applied Seventh Circuit law. In the Seventh Circuit, arbitration agreements are governed by state contract law, except to the extent that state law is displaced by "federal substantive law regarding arbitration" under the Federal Arbitration Act ("FAA"). The Court explained that the FAA mandates enforcement of valid, written arbitration provisions.

"The arbitration provision here clearly and unambiguously applies to all disputes arising out of or relating to the 1996 agreement. The unexpressed 'intent' of the parties cannot limit the scope of this broad arbitration clause. Imposing limits on such a clause would be inconsistent with the well-established presumption in favor of arbitration." Slip op. at 9 (citing *AT&T Techs., Inc. v. Commc'ns Workers of Am.*, 475 U.S. 643, 650 (1986)).

The Court next rejected each of Promega's various arguments as to why the district court's arbitration order should be reversed. Promega first contended that the arbitration clause at issue is permissive rather than mandatory. The Court concluded that, while the agreement does not compel a party to demand arbitration, once a party does so, the plain language of the 1996 agreement shows that arbitration is mandatory.

Promega also argued that IP Holdings is merely a shell subsidiary and that the real party-in-interest is Life Technologies. Because there was no agreement between Promega and Life Technologies to arbitrate, Promega maintained that the district court erred in compelling arbitration. The Federal Circuit, however, found no question that Promega consented to Invitrogen's assignment of the rights and obligations under the 1996 agreement to IP Holdings. Thus, the Court found a valid agreement between Promega and IP Holdings to arbitrate.

Next, Promega argued that the arbitration provision does not encompass the dispute over Promega's

alleged failure to pay royalties because the parties intended arbitration to apply only to small disputes between non-competitors. The Federal Circuit, however, found that “[t]he arbitration provision here clearly and unambiguously applies to all disputes arising out of or relating to the 1996 agreement. The unexpressed ‘intent’ of the parties cannot limit the scope of this broad arbitration clause. Imposing limits on such a clause would be inconsistent with the well-established presumption in favor of arbitration.” Slip op. at 9, citing *AT&T Techs., Inc. v. Commc’ns Workers of Am.*, 475 U.S. 643, 650 (1986).

Promega further argued that compelling arbitration would be unjust and unfair because the agreed-upon arbitration procedures set forth in the 1996 agreement do not permit third-party discovery. Promega contended that such discovery is essential to the dispute because important discoverable information remains in the possession of Life Technologies. The Court, however, found that IP Holdings had represented that Life Technologies would consent to discovery. More important, the Court explained that Promega was free to accept or reject the contract provisions when it entered into the agreement with Research Genetics, and cannot now claim that the terms that it agreed to are unfair.

In addition, Promega argued that arbitration would be inappropriate because its claims of patent infringement against Life Technologies and AB remain pending in district court. The Federal Circuit reminded, however, that the Supreme Court has instructed that “the relevant federal law requires piecemeal resolution when necessary to give effect to an arbitration agreement.” Slip op. at 12, quoting *Moses H. Cone Mem’l Hosp. v. Mercury Constr. Corp.*, 460 U.S. 1, 20 (1983). Thus, the district court’s duty to compel arbitration is not altered by the fact that nonarbitrable claims may remain pending in the district court.

Finally, the Court rejected Promega’s attempt to rely on equitable defenses such as laches, waiver, unjust enrichment, and estoppel to preclude arbitration. The Federal Circuit concluded that defenses to liability under the 1996 agreement must be raised before the arbitrator. For these reasons, the Federal Circuit affirmed the grant of the motion to compel arbitration.

Judge Newman, in a dissenting opinion, concluded that no consent was given to assignment of the contract to Life Technologies, although consent was required. Thus, there was no agreement to arbitrate between the parties and, in the absence of an agreement to arbitrate, arbitration cannot be imposed.

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Looking Ahead

On April 2, 2012, in *Bowman v. Monsanto Company*, No. 11-796, the Supreme Court invited the Solicitor General to file a brief expressing the views of the United States. The case involves the use of soybean seeds including Monsanto's patented Roundup Ready™ herbicide-resistance trait.

The issue is whether the Federal Circuit erred in *Monsanto Co. v. Bowman*, 657 F.3d 1341 (Fed. Cir. 2011), by: (1) refusing to find patent exhaustion—a doctrine that eliminates the right to control or prohibit the use of an invention after an authorized sale—in patented seeds that were sold for planting; and by (2) creating an exception to the doctrine of patent exhaustion for self-replicating technologies.

The Supreme Court will issue its decision on certiorari after hearing the Solicitor General's views.

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Spotlight Info

In *3M Company v. Avery Dennison Corp.*, No. 11-1339 (Fed. Cir. Mar. 26, 2012), the Federal Circuit vacated and remanded the district court's dismissal of a DJ action for lack of a case or controversy. Notably, the Federal Circuit determined that telephonic communications between the parties, without a formal cease-and-desist letter with prescribed deadlines, may support DJ jurisdiction. See this month's edition of *Last Month at the Federal Circuit* for a full summary of this decision.

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