

# FINNEGAN

## Last Month at the Federal Circuit

February 2012

**Claim Construction Not Based on the Intrinsic Record and Pursuit of Baseless Infringement Action Result in a \$5 Million Fee Award**

MarcTec, LLC v. Johnson & Johnson

No. 10-1285 (Fed. Cir. Jan. 3, 2012)

[Appealed from S.D. Ill., Chief Judge Herndon]

**Market Need Properly Linked to the Invention Can Be Probative of Long-Felt Need and Supportive of Nonobviousness**

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[Appealed from N.D. Ill., Judge Shadur]

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[Appealed from D.D.C., Judge Collyer]

### 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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### **Spotlight Info**

In *MarcTec, LLC v. Johnson & Johnson*, No. 10-1285 (Fed. Cir. Jan. 3, 2012), the Federal Circuit affirmed the district court's exceptional case finding under 35 U.S.C. § 285 and held that the district court did not abuse its discretion in awarding attorney and expert witness fees of nearly \$5 million under its inherent authority. The Federal Circuit agreed that MarcTec, LLC ("MarcTec") (1) acted in bad faith in filing a baseless infringement action and continuing to pursue it despite no evidence of infringement; and (2) engaged in vexatious and unjustified litigation conduct that unnecessarily prolonged the proceedings and forced Cordis Corporation and Johnson & Johnson (collectively "Cordis") to incur substantial expenses. The Court also found that the circumstances justified the district court's grant of expert witness fees because "(1) Cordis was forced to incur expert witness expenses to rebut MarcTec's unreliable and irrelevant expert testimony which was excluded under *Daubert*; and (2) the amount Cordis was required to expend on experts was not compensable under § 285." Slip op. at 24-25. See this month's edition of *Last Month at the Federal Circuit* for a full summary of this decision.

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### **Looking Ahead**

On February 8, 2012, in *Ninestar Technology Co. v. International Trade Commission*, No. 09-1549 (Fed. Cir. Feb. 8, 2012), the Federal Circuit affirmed the ITC's assessment of a civil penalty against Ninestar Technology Co., Ltd., Ninestar Technology Company, Ltd., and Town Sky, Inc. (collectively "Ninestar") for failure to comply with exclusion and cease and desist orders arising from a violation of Section 337 of the Tariff Act, 19 U.S.C. § 1337. In so holding, the Court rejected Ninestar's argument that a sale in a foreign country of a product manufactured in the foreign country extinguishes any right to enforce a U.S. patent against that product if it is imported into the United States, and found that the ITC's orders were violated with knowledge and bad faith.

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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### **Claim Construction Not Based on the Intrinsic Record and Pursuit of Baseless Infringement Action Result in a \$5 Million Fee Award**

*Uttam G. Dubal*

**Judges: Newman, Prost, O'Malley (author)**

**[Appealed from S.D. Ill., Chief Judge Herndon]**

In *MarcTec, LLC v. Johnson & Johnson*, No. 10-1285 (Fed. Cir. Jan. 3, 2012), the Federal Circuit affirmed the district court's exceptional case finding under 35 U.S.C. § 285 and held that the district court did not abuse its discretion in awarding attorney and expert witness fees under its inherent authority. The patents-in-suit, assigned to MarcTec, LLC ("MarcTec"), are directed to a surgical implant in which a polymeric material is bonded by heat to an expandable implant, where the polymer includes a therapeutic agent such as an antibiotic. MarcTec brought suit against Cordis Corporation and Johnson & Johnson (collectively "Cordis"), alleging that Cordis's Cypher stent infringed its patents. Following claim construction, the district court granted Cordis's motion for SJ of noninfringement. In a prior appeal, the Federal Circuit affirmed the district court's claim construction and judgment of noninfringement.

Thereafter, the district court granted Cordis's motion to declare the case exceptional and be compensated for its reasonable attorney and expert witness fees. The district court found MarcTec's infringement allegations "baseless" and "frivolous," that MarcTec acted in "bad faith" by bringing and maintaining the litigation, and awarded Cordis nearly \$4 million in attorney fees and expenses and nearly \$1 million in expert fees. MarcTec appealed.

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**"MarcTec engaged in litigation misconduct when it: (1) misrepresented both the law of claim construction and the constructions ultimately adopted by the court; and (2) introduced and relied on expert testimony that failed to meet even minimal standards of reliability, thereby prolonging the litigation and the expenses attendant thereto." Slip op. at 21.**

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The Federal Circuit first held that the district court did not err in awarding attorney fees because the district court found that MarcTec (1) acted in bad faith in filing a baseless infringement action and continuing to pursue it despite no evidence of infringement; and (2) engaged in vexatious and unjustified litigation conduct that unnecessarily prolonged the proceedings and forced Cordis to incur substantial expenses. The Federal Circuit rejected MarcTec's challenge to the district court's award because the court's findings were consistent with and fully supportive of a finding of subjective bad faith, even though the court did not specifically state that the bad faith found was "subjective." Three findings by the district court supported a finding of subjective bad faith: (1) the patentee amended the claims during prosecution to reflect that the invention required the application of heat, whereas the accused product did not use heat; (2) the patentee represented to the PTO that the claims excluded stents to obtain

allowance, but asserted that Cordis's stent infringed; and (3) even after MarcTec had evidence establishing that heat-bonding, which the patentee told the PTO was required for the claims, was not used in Cordis's manufacturing process, MarcTec pursued its suit by relying on mischaracterizations of the claim construction and unreliable and irrelevant expert testimony. While "[d]efeate of a litigation position, even on summary judgment, does not warrant an automatic finding that the suit was objectively baseless," slip op. at 19 (alteration in original) (citation omitted), MarcTec's proposed claim construction was "so lacking in any evidentiary support that assertion of this construction was unreasonable and reflects a lack of good faith," *id.* Thus, the Court found that MarcTec's proposed construction and decision to continue litigation after claim construction supported the district court's exceptional case finding.

Second, the Federal Circuit found that MarcTec's litigation misconduct provided a separate and independent basis supporting the district court's exceptional case finding. Specifically, MarcTec engaged in litigation misconduct by advancing unfounded arguments that unnecessarily extended the litigation and caused Cordis to incur needless litigation expenses by (1) misrepresenting "both the law of claim construction and the constructions ultimately adopted by the court"; and (2) introducing and relying on "expert testimony that failed to meet even minimal standards of reliability . . . ." *Id.* at 21. Thus, the Federal Circuit concluded that the district court did not abuse its discretion in awarding attorney fees.

Lastly, the Federal Circuit held that the district court did not abuse its discretion in awarding expert fees. While the Court recognized that it is a "better practice" for a district court to analyze expert witness fees separately and explain why an award of attorney fees under § 285 is insufficient to sanction the patentee, the Federal Circuit found that "the circumstances in this case justify the district court's decision granting expert witness fees." *Id.* at 24. In particular, "(1) Cordis was forced to incur expert witness expenses to rebut MarcTec's unreliable and irrelevant expert testimony which was excluded under *Daubert*; and (2) the amount Cordis was required to expend on experts was not compensable under § 285." *Id.* at 24-25.

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### **Market Need Properly Linked to the Invention Can Be Probative of Long-Felt Need and Supportive of Nonobviousness**

*Daniel A. Lev*

**Judges: Rader (author), Gajarsa (dissenting), Prost**  
**[Appealed from N.D. Ill., Judge Shadur]**

In *Celsis In Vitro, Inc. v. CellzDirect, Inc.*, No. 10-1547 (Fed. Cir. Jan. 9, 2012), the Federal Circuit affirmed the district court's grant of a preliminary injunction ("PI") against CellzDirect, Inc. and Invitrogen Corporation, now Life Technologies Corporation ("LTC").

U.S. Patent No. 7,604,929 ("the '929 patent"), which is assigned to Celsis In Vitro, Inc. ("Celsis"), relates to a method for preparing multi-cryopreserved hepatocytes. The '929 patent teaches that human hepatocytes, which are a type of liver cell, are useful in evaluating drug candidates, but have two weaknesses: (1) they have a short lifespan that causes an inconsistent and limited supply; and (2) research is best performed on a pool of hepatocytes from a larger group of different liver donors to minimize the effect of outlier data and best represent the larger population. The '929 patent intends to solve these problems while retaining substantial hepatocyte cell viability by multi-cryopreserving hepatocyte cells, i.e., preserving hepatocytes using a process involving multiple freezing and thawing cycles.

Celsis sued LTC for infringing the '929 patent, alleging that LTC sells pooled multi-cryopreserved hepatocyte products that are prepared by performing an infringing process. Celsis also asserted that its LiverPool™ pooled multi-cryopreserved hepatocyte products are covered by the '929 patent. Celsis moved for a PI, and after a month of discovery, the district court conducted an evidentiary hearing and ruled in favor of Celsis. LTC appealed.

The Federal Circuit reviewed the district court's analysis of the four equitable PI factors: (1) likelihood of success on the merits, (2) irreparable harm, (3) balance of hardships, and (4) public interest. First, with respect to Celsis's likelihood of success on the merits, LTC appealed the district court's findings on only two of its defenses: noninfringement and obviousness. As to infringement, the Federal Circuit found that the district court was within its discretion to credit Celsis's expert witness, while finding that LTC's expert did not apply proper claim construction in his analysis. The Federal Circuit also rejected LTC's argument that language in the asserted claim, stating "without requiring a density gradient step," meant "prohibiting" a density gradient step. "Instead, 'without requiring' means simply that the claim does not require the density gradient step. Thus, performance of that step does not preclude a finding of infringement." Slip op. at 7. Therefore, the Federal Circuit held that the district court did not abuse its discretion in finding that Celsis established a likelihood of success on infringement.

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**"Without more, this reference to 'market need,' properly linked to the claimed**

**invention, is actually probative of long felt need under objective criteria analysis and supportive of non-obviousness.” Slip op. at 11.**

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As to nonobviousness, the Federal Circuit found that the district court did not err by finding Celsis likely to succeed on nonobviousness in view of a single prior art reference—an article by de Sousa (“the de Sousa article”). As an initial matter, the Court noted that (1) the present invention is in an art well-known for its unpredictability; (2) the art was a crowded field for many years and yet there was not one reference to multi-cryopreservation; and (3) the prior art taught away from multiple rounds of freezing due to the likelihood of damaging the cells. Further, LTC was unable to point to any teaching, suggestion, or motivation in the de Sousa article that multiple rounds of freezing would somehow increase rather than decrease cell viability. The Federal Circuit rejected LTC’s argument that Celsis’s invention was simply responding to a “market need” by noting that “[w]ithout more, this reference to ‘market need,’ properly linked to the claimed invention, is actually probative of long felt need under objective criteria analysis and supportive of non-obviousness.” *Id.* at 11. Thus, the district court did not err by crediting Celsis’s expert testimony over that of LTC’s experts, and the Federal Circuit held that the record supported the district court’s finding that Celsis had shown a likelihood of success on nonobviousness.

Second, the Federal Circuit found that the district court did not err in finding that Celsis would suffer irreparable harm without a PI. The Court noted that Celsis presented unrebutted expert testimony on price erosion, loss of goodwill, damage to reputation, and loss of business opportunities, all of which were valid grounds for finding irreparable harm. Further, the Federal Circuit stated that “the mere possibility of future monetary damages does not defeat a motion for preliminary injunction.” *Id.* at 14. Thus, in light of the “unrebutted expert testimony,” the Court found “no reason to reverse the district court’s weighing of evidence.” *Id.* at 16.

Third, the Federal Circuit held that the district court did not clearly err by finding that the balancing of harms favored Celsis. Once again, LTC failed to present any expert testimony to rebut Celsis’s expert testimony. The Court noted that Celsis would lose the value of its patent and suffer irreparable harm, about which its expert witness opined, without a PI. Further, the Federal Circuit agreed with the district court’s rejection of LTC’s argument that it would be forced to shut down its operations because “LTC’s losses were the result of its own calculated risk in selling a product with knowledge of Celsis’s[s] patent.” *Id.* Finally, the Federal Circuit found no abuse of discretion in the district court’s bond amount and noted that LTC failed to present additional evidence to substantiate a higher bond when given an opportunity to do so by the district court.

Lastly, the Federal Circuit held that the district court did not err in concluding that the public interest favored Celsis’s enforcement of its patent rights. The record showed that the public had an interest in having an adequate supply of pooled multi-cryopreserved hepatocyte products, that the incentives provided by patents to invest in drug research and development would be undermined if Celsis’s exclusionary rights were not protected, and that even with an injunction, the public could obtain the products from Celsis.

Accordingly, because the Federal Circuit found no reversible error in the district court’s findings, the Federal Circuit held that the district court did not abuse its discretion in granting Celsis’s motion for PI.

Judge Gajarsa dissented from the majority’s decision to uphold the district court’s “extraordinary and drastic remedy” of a PI because he believed that LTC raised a substantial question as to the validity of the ’929 patent. Gajarsa Dissent at 1. In particular, Judge Gajarsa stated that the majority’s affirmance of the district court’s obviousness analysis incorrectly perpetuates a clear and convincing standard of proof for judging likelihood of success on invalidity at the PI stage and “reinvigorates the pre-KSR standard for obviousness, rigidly requiring an explicit teaching, suggestion, or motivation for multi-cryopreserving hepatocytes.” *Id.* at 2.



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### **The Existence of a Case or Controversy in a Patent Suit Must Be Evaluated on a Claim-by-Claim Basis**

*Matthew R. Van Eman*

**Judges: Newman, O'Malley (author), Reyna**  
**[Appealed from D. Neb., Chief Judge Bataillon]**

In *Streck, Inc. v. Research & Diagnostic Systems, Inc.*, No. 11-1044 (Fed. Cir. Jan. 10, 2012), the Federal Circuit found that the district court did not err in limiting the invalidity counterclaims of Research & Diagnostic Systems, Inc. and Techne Corporation (collectively "R&D") to claims that had been asserted by plaintiff Streck, Inc. ("Streck"). In addition, the Court affirmed the district court's determination that the patents-in-suit satisfy the written description and enablement requirements. The Court also determined that a priority challenge raised by R&D was without merit and that a permanent injunction issued by the district court was not overly broad.

Streck asserted U.S. Patent Nos. 6,200,500; 6,221,668 ("the '668 patent"); and 6,399,388 against R&D. The asserted patents relate to controls for use with hematology analyzers, which are used by clinical laboratories to measure various components of blood. In particular, the asserted patents relate to hematology control products, which can be used to measure reticulocytes and white blood cells simultaneously in the same blood sample.

The parties agreed that claim 1 of the '668 patent was representative for appeal. Claim 1 recites "[a] hematology control composition comprising: a) a stabilized reticulocyte component; and b) a fixed and stabilized white blood cell component capable of exhibiting a five-part differential." The district court construed the patents-in-suit to encompass an integrated reticulocyte control using either reticulocytes or reticulocyte analogs.

At the district court, the parties agreed to be bound by the Patent Local Rules of the United States District Court for the Northern District of California. Those Rules provide that the parties shall serve "Disclosure[s] of Asserted Claims and Preliminary Infringement Contentions" as well as "Invalidity Contentions" within specified times. Accordingly, Streck submitted its "Disclosure of Asserted Claims and Preliminary Infringement Contentions," which identified a limited number of asserted claims, and R&D submitted its "Preliminary Invalidity Disclosures" related to each of the asserted claims. Subsequently, and over a year after the date specified by the agreed-upon Patent Local Rules, R&D amended its invalidity contentions to assert that all but one claim of the patents-in-suit were invalid for failure to satisfy the enablement and written description requirements.

Approximately two months after Streck filed its first patent application relevant to this case, R&D filed its own application related to reticulocyte controls. In 2003, after some of Streck's patents had issued, R&D copied claims of Streck's patents and asked the PTO to declare an interference to determine priority of invention. The PTO decided the priority question in favor of R&D. The PTO's decision was

reversed by the same district court under 35 U.S.C. § 146, and the § 146 decision was affirmed by the Federal Circuit.

After the district court issued a claim construction order, the parties filed cross-motions for SJ related to the validity of the claims based on written description, and the court granted Streck's motion, finding that the asserted patents adequately described the invention as claimed. Further, at trial, both parties moved for JMOL on the issue of enablement, and before submitting the enablement question to the jury, the district court granted JMOL to Streck, finding that the asserted patents were enabled.

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**“*MedImmune* does not stand for the proposition that an Article III case or controversy exists automatically whenever a competitor desires to mount a validity challenge.” Slip op. at 23.**

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On appeal, the Federal Circuit agreed that the district court did not err in limiting R&D's invalidity counterclaims to the claims that had been asserted by Streck. The Court noted that it is well established in patent cases that the existence of a “case or controversy must be evaluated on a claim-by-claim basis.” Slip op. at 18 (quoting *Jevis B. Webb Co. v. S. Sys., Inc.*, 742 F.2d 1388, 1399 (Fed. Cir. 1984)). The Court explained that before the Supreme Court's decision in *MedImmune, Inc. v. Genentech, Inc.*, 549 U.S. 118 (2007), a two-part test was applied to determine whether an actual controversy existed in a DJ action. Under that test, a plaintiff had to show an explicit action that creates a reasonable apprehension of suit and present activity by the DJ plaintiff that could constitute infringement. However, after *MedImmune*, courts must look at all the circumstances to determine whether a DJ plaintiff has shown a case or controversy.

The Federal Circuit then explained that, after *MedImmune*, at least one district court has found that it lacked DJ jurisdiction over patent claims that were initially asserted in a broad complaint and subsequently not included in the narrower scope of claims alleged to be infringed. Although that case was not binding on the Federal Circuit, the Court agreed with the analysis, stating that a counterclaimant must show a continuing case or controversy with respect to withdrawn or otherwise unasserted counterclaims.

Citing *Scanner Technologies Corp. v. ICOS Visions Systems Corp.*, 528 F.3d 1365 (Fed. Cir. 2008), R&D argued that a patentee could not limit the scope of a counterclaim by withdrawing some of the asserted claims of the patents-in-suit. Distinguishing this case from *Scanner Technologies*, the Court disagreed. Specifically, the Court noted that in *Scanner Technologies*, the parties stipulated that the district court need only analyze a representative claim to decide infringement, but the patentee never affirmatively disclaimed its allegations of infringement as to other claims. By contrast, in this case, both parties were on notice from the start of the litigation that the scope of claims at issue was only a subset of the full patents-in-suit.

The Federal Circuit also agreed with the district court's determination that the patents-in-suit satisfied the written description requirement as a matter of law. The Court explained that the pivotal issue in this case was whether the asserted patents provided adequate written description for controls using either true reticulocytes or reticulocyte analogs. According to R&D, the asserted patents failed to demonstrate that the inventor possessed and invented controls using true reticulocytes.

In so holding, the Court pointed to testimony by the inventor, Dr. Wayne Ryan, which, contrary to R&D's assertion, identified language in the asserted patents related to true reticulocytes. Furthermore, the Court noted that the fact that the inventor chose to reduce his invention to practice using a reticulocyte analog rather than true reticulocytes is not relevant to the written description inquiry. In addition, the Court referred to the specifications, which refer to several types of true reticulocytes. Finally, the Court disagreed with R&D's assertion that the inventor had testified that true reticulocytes were not part of his invention. Rather, the Court noted that Dr. Ryan's testimony, to the extent he had testified about the difficulty of using true reticulocytes, related to the commercial practicalities of using true reticulocytes, not the feasibility of true reticulocytes in a control.

As to enablement, R&D argued that, although the patents-in-suit enabled reticulocyte analogs in an integrated control, they did not enable true reticulocytes. Specifically, R&D argued that the district court failed to consider whether the asserted patents enabled novel aspects of the invention and relied on prior art to fill in missing disclosures as to the novel aspects of using true reticulocyte controls.

R&D relied on *Automotive Technologies International, Inc. v. BMW of North America, Inc.*, 501 F.3d 1274 (Fed. Cir. 2007), for the proposition that when a patentee broadly claims two distinct species, it must enable both. The Federal Circuit explained that *Automotive Technologies* involved a side-impact crash sensor for automobile airbags, and the claims were construed to include both mechanical and electronic side-impact sensors. The specification at issue in *Automotive Technologies*, however, failed to teach a person of skill in the art to make an electronic sensor without undue experimentation. The Court also explained that knowledge of one skilled in the art could not supply the missing information because the specification, not the knowledge of those skilled in the art, must supply novel aspects of the invention.

In contrast to *Automotive Technologies*, where the electronic sensors differed in structure and operation from mechanical sensors, the Federal Circuit in this case found un rebutted evidence that true reticulocytes and reticulocyte analogs work the same way in a hematology control. Further, R&D failed to produce evidence to demonstrate that undue experimentation would be required to create a true reticulocyte control.

The Court further agreed that the district court had correctly awarded priority to Streck and had not issued an injunction that was overly broad. As to the priority challenge, the Court explained that its prior decision in a related appeal was controlling and rendered R&D's priority challenges moot. And, as to the injunction, R&D argued that the injunction prohibited it from infringing the asserted claims until the expiration of the last to expire patents-in-suit, but should be specifically limited to products-in-suit and products that are not colorably different. The Court disagreed, noting that the injunction referred to specific products at issue in this case. The Court therefore upheld the district court's injunction.

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### **Lack of Assignment Provision in a Consulting Agreement Leads to Loss of Patent Rights**

*Robert D. Wells*

**Judges: Rader (author), Lourie, Bryson (dissenting)**

**[Appealed from N.D. Ala., Chief Judge Blackburn]**

In *Abbott Point of Care Inc. v. Epocal, Inc.*, No. 11-1024 (Fed. Cir. Jan. 13, 2012), the Federal Circuit affirmed the district court's grant of Epocal, Inc.'s ("Epocal") motion to dismiss Abbott Point of Care Inc.'s ("Abbott") complaint for patent infringement of, and legal title to, U.S. Patent Nos. 6,845,327 ("the '327 patent") and 6,896,778 ("the '778 patent"). The '327 and '778 patents are directed to point-of-care systems for diagnostic blood sample testing. Both patents are assigned to Epocal and name Dr. Imants Lauks, Epocal's founder, as the sole inventor.

Abbott claimed ownership of the '327 and '778 patents by virtue of three contracts between Lauks and Abbott's predecessors. Lauks signed Employment Agreements with Abbott's predecessor companies, Integrated Ionics Incorporated and i-STAT Corporation ("i-STAT"), in 1984 ("the 1984 Employment Agreement") and 1992 ("the 1992 Employment Agreement"), respectively. The 1984 Employment Agreement contained provisions on confidentiality, noncompetition, nonsolicitation, and disclosure and assignment of Lauks's inventions during the course of employment, and the 1992 Employment Agreement incorporated all of those provisions.

In 1999, Lauks resigned from his position and entered into an eighteen-month Consulting Agreement with i-STAT ("the 1999 Consulting Agreement"). The 1999 Consulting Agreement included provisions on confidentiality, noncompetition, and nonsolicitation "as if Lauks remained employed by [i-STAT]," but did not include an assignment clause. Slip op. at 4 (alteration in original). A little over two years after resigning from i-STAT, Lauks filed patent applications that issued as the '327 and '778 patents.

In 2009, Abbott filed suit against Epocal for infringing the '327 and '778 patents, claiming legal title to both. Abbott contended that the 1999 Consulting Agreement incorporated the assignment clause in the 1984 and 1992 Employment Agreements. Epocal moved to dismiss the case for lack of subject matter jurisdiction and failure to state a claim. The district court granted Epocal's motion to dismiss, finding that Abbott lacked standing since the 1999 Consulting Agreement did not preserve the assignment provision included in the 1984 and 1992 Employment Agreements.

On appeal, initially the Federal Circuit noted that state law governs contract interpretation and that the Court reviews contract interpretations without deference. *Id.* at 6. Accordingly, the Court held that the earlier 1984 and 1992 Employment Agreements between Lauks and Abbott's predecessors ended in 1999 when Lauks resigned. Citing New Jersey case law, the Court held that "[a]bsent ambiguity, the intention of the parties is to be ascertained by the language of the contract." *Id.* at 7 (alteration in original) (citation omitted). Therefore, upon finding no ambiguity in the 1999 Consulting Agreement, the

Court found that Lauks was under no obligation to assign his inventions to Abbott or its predecessors.

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**“Because the . . . Consultation Agreement is silent with respect to any assignment of [the named inventor’s] rights in inventions, improvements, or discoveries made or conceived during the consultation period, [the named inventor] had no obligation to assign inventions from the consulting period . . . .” Slip op. at 8-9.**

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The Court further reviewed the district court’s ruling on standing to sue without deference. The Court cited 35 U.S.C. § 281 and held that only a patentee or successor in title had standing to sue for patent infringement. Because the 1999 Consulting Agreement did not contain an assignment clause, the Federal Circuit upheld the district court’s ruling that Abbott did not have a valid claim to title in either the ’327 or the ’778 patent. Abbott therefore lacked standing to sue for patent infringement.

On appeal, Abbott also argued that the lower court incorrectly denied its request for additional discovery to construe the 1999 Consulting Agreement. Addressing the issue, the Court held: “Because the agreements contain no ambiguity, Abbott’s request is unavailing. Extrinsic evidence simply cannot change or contradict the contract’s language.” *Id.* at 9. Finding that the district court properly evaluated the contracts between Lauks and Abbott’s predecessors, and that Abbott lacked standing to sue, the Court upheld the district court’s dismissal of the complaint.

In a dissenting opinion, Judge Bryson indicated that he would have reversed and remanded the case to the district court based on relevant ambiguities in the 1999 Consulting Agreement. Judge Bryson stated, in part, that the 1992 Employment Agreement referred only to some provisions of the 1984 Employment Agreement, but was interpreted by both parties as including all of the provisions of the earlier agreement. Thus, he posited, the 1999 Consulting Agreement, which similarly referred only to some provisions of the Employment Agreements, contained ambiguities warranting the district court’s further consideration and interpretation.

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### **Scientist Who Contributed to the Method of Making a Novel Compound Is a Joint Inventor of a Claim Covering That Compound**

*Ian Y. Liu*

**Judges: Linn (author), Prost, Reyna**

**[Appealed from N.D. Ohio, Senior Judge Dowd]**

In *Falana v. Kent State University*, No. 11-1198 (Fed. Cir. Jan. 23, 2012), the Federal Circuit affirmed the district court's holding that Dr. Olusegun Falana, who contributed the method for making the claimed compounds, is a joint inventor of Kent State University's ("Kent State") U.S. Patent No. 6,830,789 ("the '789 patent").

Kent Displays, Inc. ("KDI"), a spin-off of Kent State, hired Falana to make certain chemical compounds. While working on this project, Falana developed a method for making a novel class of compounds ("Synthesis Protocol") and made a compound within that class, designated as Compound 7. After Falana left Kent State, Dr. Alexander J. Seed made a second compound, designated as Compound 9, using Falana's Synthesis Protocol. Later, KDI and Kent State filed an application and obtained the '789 patent, which claimed a genus of compounds related to Compound 9. The '789 patent named Seed and KDI scientists, Drs. Joseph Doane and Asad Khan, as inventors and disclosed Falana's Synthesis Protocol as the method to synthesize the claimed compounds.

After learning that he was omitted as an inventor on the '789 patent, Falana filed a 35 U.S.C. § 256 action against Kent State, KDI, Seed, Doane, and Khan to correct inventorship. Doane, Khan, and KDI did not oppose the addition of Falana as a joint inventor and the district court dismissed them from the case. After a bench trial, the district court concluded that Falana contributed to the conception of the claimed invention by, among other things, developing the Synthesis Protocol. In addition, finding the case to be exceptional, the district court awarded Falana attorney fees with the amount to be determined later. Kent State and Seed appealed.

On appeal, Kent State and Seed contended that the district court erred on multiple grounds, including claim construction, exclusion of two exhibits, conclusion that Falana was an omitted joint inventor on the '789 patent, and finding the case exceptional and awarding attorney fees to Falana. Initially, with respect to claim construction, the Court ruled that the claims of the '789 patent should not be limited by the specification because the specification suggested a modifiable characteristic of the claimed compounds and the prosecution history was silent on this point. Accordingly, the Court affirmed the district court's claim construction.

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**"This holding does not mean that such an inventor necessarily has a right to claim inventorship of all species within that genus which are discovered in the future. Once the method of making the novel genus of compounds**

becomes public knowledge, it is then assimilated into the store-house of knowledge that comprises ordinary skill in the art. Additionally, joint inventorship arises only ‘when collaboration or concerted effort occurs—that is, when the inventors have some open line of communication during or in temporal proximity to their inventive efforts.’” Slip op. at 15-16 (citation omitted).

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Second, at trial, Kent State and Seed offered two exhibits in an effort to show that the Synthesis Protocol was in the prior art and was in fact known to Seed before his work with Falana. Both the district court and the Court found that those two exhibits showed only that portions, not the entirety, of the Synthesis Protocol were known in the art. Further, although the district court excluded these exhibits, it permitted Seed the opportunity to explain the portions of the Synthesis Protocol, and, thus, the Court held that the exhibits would be cumulative of his testimony. As a result, the Court found no abuse of discretion by the district court to exclude those exhibits.

Next, although Kent State and Seed did not challenge any of the district court’s findings of fact, they argued on appeal that Falana’s contribution to the Synthesis Protocol was insufficient to make him a joint inventor of the claims of the ’789 patent, all directed to chemical composition and not methods, and that Falana’s Compound 7 did not fall within the scope of the claims. Initially, the Court reiterated its previous holding that the conception of a compound requires knowledge of both the chemical structure of the compound and an operative method of making it. Thus, the Court affirmed the district court’s decision that Falana’s contribution of the method for making the claimed compounds was enough of a contribution to conception to pass the threshold required for joint inventorship. Specifically, the Court found that KDI and Seed’s post-lawsuit characterization that Falana’s Synthesis Protocol was known in the art was not credible and that Falana did not develop the Synthesis Protocol by simply following the teachings of others. In addition, the Court found that Falana developed the Synthesis Protocol to synthesize Compound 7, noting that KDI considered Compound 7, within a previously unknown genus of compounds, as a “great improvement” because it represented “significant progress.” Finally, the Court found that Seed used Falana’s Synthesis Protocol to make Compound 9. In addition, the Court rejected the argument that Falana did not contribute to the conception of Compound 9. After all, the Court noted, Falana contributed to the conception of a genus of compounds, a subset of which was claimed in the ’789 patent, by providing the method of making the genus.

Finally, the Court found that the district court’s exceptional case ruling and its decision to award unquantified attorney fees were not final. Consequently, they were not reviewable on appeal. The Court refused to exercise pendent appellate jurisdiction over this issue because Kent State and Seed did not—nor from the record could they—argue that the exceptional case determination and award of attorney fees are “inextricably intertwined with the determination on the merits or that the exceptional case determination and award of attorney fees must be reviewed in order to properly review the decision on the merits.” Slip op. at 20.

Accordingly the Court affirmed the district court’s determination that Falana is a joint inventor of the ’789 patent.

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### **Statements During Reexamination Can Be Considered During Claim Construction**

*Elizabeth A. Laughton*

**Judges: Newman, Prost (author), O'Malley**

**[Appealed from N.D. Ill., Judge Zagel]**

In *Krippelz v. Ford Motor Co.*, No. 11-1103 (Fed. Cir. Jan. 27, 2012), the Federal Circuit reversed the district court's failure to grant JMOL that the patent-in-suit was anticipated by the prior art after a jury verdict of no invalidity, vacated the district court's grant of SJ of infringement and finding of willfulness, and remanded the case for entry of judgment of nonliability for Ford Motor Company ("Ford").

Jacob Krippelz, Sr. obtained U.S. Patent No. 5,017,903 ("the '903 patent"), titled "Emergency Light," for a vehicle-mounted lamp. The '903 patent describes a lamp attached to the side view mirror of a vehicle that directs light downward to reflect off water, dust, or other airborne particles so as to be visible to other drivers, but not interfere with the vision of the vehicle's driver or that of other drivers. Krippelz offered a license to Ford, but Ford declined.

Ford later began offering a "puddle light" on several of its vehicles. Ford's puddle light was a lamp attached to the vehicle's side view mirror that shone light generally downward. The lens diffused light in such a way as to illuminate the vehicle's side. Krippelz subsequently sued Ford, accusing the puddle light of infringing claim 2 of the '903 patent. Krippelz also requested reexamination of the '903 patent and submitted all of the references identified by Ford in the litigation. The reexamination confirmed the validity of the '903 patent over the submitted prior art.

Krippelz moved for SJ of infringement, which the district court granted. During a subsequent trial on validity and damages, Ford argued that claim 2 was anticipated by, or at least obvious in view of, a French patent ("DuBois"). Krippelz argued that DuBois failed to teach two limitations of the claim: (1) a "conical beam of light" and (2) a lamp located "adjacent" to the vehicle window. The jury found claim 2 valid over DuBois and awarded Krippelz \$23 million in damages. Following a bench trial on willfulness, the district court awarded an additional \$32.7 million in prejudgment interest and enhanced damages.

Ford moved for JMOL on invalidity. The district court denied Ford's JMOL, finding that a reasonable jury could have credited Krippelz's evidence and found that DuBois failed to teach a "conical beam of light" and/or a lamp "adjacent to the window." Ford appealed.

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**"A patentee's statements during reexamination can be considered during claim construction, in keeping with the doctrine of prosecution disclaimer." Slip op. at 9-10 (citing *Am. Piledriving Equip., Inc. v. Geoquip, Inc.*, 637 F.3d 1324, 1336 (Fed. Cir. 2011)).**

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The Federal Circuit rejected the two grounds cited by the district court, finding each unsupported by the evidence. With respect to the first ground, the Federal Circuit concluded that a reasonable jury could not have found that DuBois fails to teach a “conical beam of light.” The Federal Circuit, however, found that the district court did not err in construing a “conical beam of light” to incorporate limitations as to the shape of the lamp’s reflector and the positioning of the light bulb filament at or near the focal point of the optical reflector, even though the specification and initial prosecution history were “bereft of such discussion.” Slip op. at 9. The Court noted that “[a] patentee’s statements during reexamination can be considered during claim construction, in keeping with the doctrine of prosecution disclaimer.” *Id.* (citing *Am. Piledriving Equip., Inc. v. Geoquip, Inc.*, 637 F.3d 1324, 1336 (Fed. Cir. 2011)). Thus, the Court determined that, as a result of Krippelz’s statements during reexamination, Krippelz disclaimed lamps lacking these limitations, and the limitations properly became part of the construed claims.

Although the district court correctly construed the claim, the Federal Circuit found that a reasonable jury could not find that DuBois lacked the required disclosure because DuBois expressly taught that its lamp could include a bulb at the focus of a reflector and also include a screen to prevent the light rays from striking the eyes of a driver or pedestrian in front of or behind the vehicle. Further, the Court found that the evidence cited by the district court to overcome DuBois’ disclosures was legally insufficient to support a judgment for Krippelz.

First, although Ford did not appeal the admissibility of Krippelz’s expert’s testimony based on the scale of the drawings in DuBois, the Court reiterated that it “has repeatedly cautioned against overreliance on drawings that are neither expressly to scale nor linked to quantitative values in the specification.” *Id.* at 13. The Federal Circuit, however, could not find Krippelz’s expert’s testimony insufficient because Ford did not appeal the district court’s admissibility ruling. Nevertheless, the Federal Circuit concluded that it was reversible error for the district court to hold the jury’s verdict sustainable on this testimony because the figure relied on by Krippelz’s expert depicted only one embodiment of the DuBois invention, and DuBois expressly stated that other embodiments, including a headlight, could use lamps in addition to the one disclosed in its figures. Thus, the Court determined that “there is no question that DuBois[ ] disclosure of a ‘headlight’ teaches the required ‘beam of light.’” *Id.* at 14.

Second, the Federal Circuit disagreed, as a matter of law, with Krippelz’s expert’s testimony that DuBois did not anticipate because the beam of light was not necessarily “conical,” as required by the claims. The Court found, however, that while DuBois discussed illuminating the area within a rectangle on the pavement next to the car, it does not require that such illumination be only with nonconical light beams. Thus, Krippelz’s expert’s statements “that the ‘conical’ limitation was unmet were therefore too conclusory to sustain the jury’s verdict.” *Id.* at 15.

Finally, the Federal Circuit rejected the district court’s reliance on Krippelz’s expert’s testimony that a conical beam of light “probably wouldn’t be a very effective way to accomplish the purpose of DuBois” and the district court’s finding that, based on such evidence, the jury could have found that DuBois “actually teaches away from using a beam.” *Id.* (citations omitted). First, “teaching away is not relevant to an anticipation analysis; it is only a component of an obviousness analysis.” *Id.* Second, “[w]hen all elements of the device are shown in a single prior art reference, as here, the question of ‘teaching away’ does not arise.” *Id.* Thus, the Federal Circuit held that the district court committed clear error in denying JMOL based on DuBois’ putative failure to disclose the required “conical beam of light.” *Id.*

The Federal Circuit also rejected the district court’s second basis for denying Ford’s motion for JMOL, finding that DuBois disclosed a lamp “adjacent to the window.” Although the district court had credited Krippelz’s expert’s testimony, based on the patent figures, that while the device might be adjacent, “it certainly is not *clearly* adjacent to a side window,” the Federal Circuit remarked that “the conclusory testimony of an expert witness . . . cannot create an issue of fact if none otherwise exists.” *Id.* at 16 (citation omitted). Since there was no question that a person of ordinary skill would understand the figures to show mounting the lamp adjacent to the side window, the district court erred by denying Ford’s JMOL of invalidity.

Accordingly, the Federal Circuit reversed the district court's denial of JMOL of invalidity, finding claim 2 of the '903 patent invalid as anticipated by DuBois, vacated the district court's SJ of infringement and willfulness analysis, and remanded for entry of judgment of nonliability for Ford.

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### **Means-Plus-Function Claims Found Not Indefinite After Waiver of Argument in District Court**

*Joyce Craig*

**Judges: Bryson, Linn, O'Malley (author)**

**[Appealed from D.D.C., Judge Collyer]**

In *HTC Corp. v. IPCom GmbH & Co., KG*, No. 11-1004 (Fed. Cir. Jan. 30, 2012), the Federal Circuit reversed SJ of invalidity of claims 1 and 18 of U.S. Patent No. 6,879,830 ("the '830 patent"), owned by IPCom GmbH & Co., KG ("IPCom").

HTC Corporation and HTC America, Inc. (collectively "HTC") sued IPCom, seeking a declaration that HTC did not infringe a valid and enforceable claim of one of IPCom's patents. IPCom counterclaimed, adding two patents, including the '830 patent. The '830 patent is directed to a handover in a cellular telephone network. A cellular telephone—called a "mobile station" in the '830 patent—maintains a link with a tower—called a "base station." A handover occurs when a mobile station switches from one base station to another. This happens, for example, when a person using a cellular telephone travels in a car between coverage areas.

HTC moved for SJ of invalidity, asserting that the means-plus-function limitation "arrangement for reactivating" in claims 1 and 18 was indefinite for failure to disclose corresponding structure. The district court rejected that argument because a person of skill in the art would understand that the corresponding structure was a processor and transceiver. HTC also sought SJ asserting that claims 1 and 18 were indefinite because they claimed both an apparatus and method steps. The district court agreed and granted SJ of invalidity of claims 1 and 18. The parties stipulated that claim 12 was also indefinite under the district court's reasoning.

On appeal, the Federal Circuit concluded that the district court erred when it held the claims indefinite for claiming an apparatus and method steps. First, the Court found that the district court misconstrued the claims. Then, the Court explained that Federal Circuit precedent prohibiting hybrid claiming of apparatus and method steps is inapplicable to claims 1 and 18 as correctly construed.

Claims 1 and 18 begin by reciting a "mobile station" to be used with a "network." Immediately following "network" are the phrases "including a first base station and a second base station" and "that achieves a handover from the first base station to the second base station by [implementing enumerated functions]." The parties disagreed whether the mobile station or the network implements six other functions set forth in the claims. If the mobile station implements the functions, the claims are indefinite because they recite both an apparatus (the mobile station) and method steps (the enumerated functions). If the network performs the functions, the claims are not indefinite because the claims merely describe the network environment in which the mobile station is used.

**“Although the district court was incorrect to assume that a processor and transceiver are alone sufficient under 35 U.S.C. § 112 ¶ 6 to provide structure for a functional claim such as that at issue here, HTC failed to preserve any attack on the algorithm that IPCo asserted provided additional needed structure.” Slip op. at 24.**

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The Federal Circuit instructed, however, that a reader may assume that the phrase beginning with “including” and the clause beginning with “that achieves” modify “network.” The Court also found that the specification explains that the first base station, not the mobile station, initially stores link data. Finally, the Court was not persuaded by an attorney’s single reference to a “process” in an office action response in the prosecution history when weighed against the plain language of the claims and the specification. Thus, the Court reversed the district court’s grant of SJ of invalidity based on hybrid subject matter.

HTC argued, as an alternative basis for invalidity, that claims 1 and 18 fail to disclose sufficient structure. To determine whether the means-plus-function limitation is definite, the Court applied a two-step analysis. First, it identified the claimed function. Here, the parties agreed that the function of the term “arrangement for reactivating” is to reactivate the link with the first base station if the handover is unsuccessful. Second, the Court looked to the specification to identify the corresponding structure, material, or acts that perform the claimed function. The Federal Circuit agreed with the district court that the structure corresponding to the “arrangement for reactivating” limitation is a processor and transceiver disclosed in the specification.

HTC argued that, even if one skilled in the art would know the need to use a processor and transceiver, one would not understand exactly how that processor and transceiver would be configured. The Federal Circuit pointed out, however, that as long as a sufficient algorithm describing how a general-purpose computer will perform the function is disclosed, reference to such general-purpose processors will suffice to overcome an indefiniteness challenge. The Court explained that “examination of the specification from the perspective of a skilled artisan does not convert an indefiniteness inquiry into an enablement inquiry.” Slip op. at 17. Thus, the Court was not analyzing whether a skilled artisan could have devised a processor and transceiver—with all the necessary component parts—but whether a skilled artisan would have understood the specification as requiring a processor and transceiver.

While the Court found that the district court did not err in finding that the specification disclosed a processor and transceiver, and that no additional hardware disclosure was needed, the Court found error in the district court’s reliance on a processor and transceiver *alone* to provide structure to these claims. In the Court’s view, the processor and transceiver amount to nothing more than a general-purpose computer, which is not sufficient structure under *Aristocrat Technologies Australia PTY Ltd. v. International Game Technology*, 521 F.3d 1328, 1333 (Fed. Cir. 2008). Under *Aristocrat Technologies*, IPCo had to identify an algorithm that the processor and transceiver execute.

While IPCo maintained that the ’830 patent contains such a qualifying algorithm, the Federal Circuit found that the district court failed to analyze the existence and adequacy of an algorithm in the ’830 patent because HTC never asked it to do so. The Court concluded that HTC failed to preserve the argument that the specification fails to disclose an algorithm sufficient to transform the processor and transceiver into a special-purpose computer designed to implement the claimed functions. Below, HTC argued only that the specification’s reference to cellular telephones was insufficient to convey use of a processor and transceiver with sufficiently complex hardware to perform the handover function described in claims 1 and 18. Noting that a remand of the issue would necessitate additional discovery, the Court concluded that remand “would stymie judicial economy because it would require the district court and the parties to invest resources in an issue that could have been raised for the first time below.” Slip op. at 22.

The Court held that the district court correctly concluded that the ’830 patent specification adequately disclosed a processor and transceiver for use in performing the function claimed in claims 1 and 18.

The Court further concluded that, although the district court was incorrect to assume that a processor and transceiver are alone sufficient under 35 U.S.C. § 112, ¶ 6 to provide structure for a functional claim, HTC failed to preserve any attack on the algorithm that IPCom asserted provided additional necessary structure. The Court therefore declined to overturn the district court's denial of SJ on the alternative ground of indefiniteness or to order that the record be reopened.

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