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## Last Month at the Federal Circuit

July 2012

### Direct Infringement Can Be Sufficiently Pleaded with Form 18 of the Federal Rules; Indirect Infringement Must Meet the *Iqbal* and *Twombly* Standard

*In re Bill of Lading Transmission & Processing System Patent Litigation*

Nos. 10-1493, -1494, -1495, -1496, 11-1101, -1102 (Fed. Cir. June 7, 2012)

[Appealed from S.D. Ohio, Senior Judge Beckwith]

### “Person of Ordinary Skill in the Art” Standard Applies in Evaluating Continuity of Disclosure in a Priority Chain

*Hollmer v. Harari*

No. 11-1276 (Fed. Cir. June 7, 2012)

[Appealed from Board]

### Circumstantial Evidence Suggesting Use of an Accused Product in an Infringing Manner Is Enough to Preclude SJ of Noninfringement as to Inducement

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[Appealed from D. Ariz., Judge Murguia]

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*Wm. Wrigley Jr. Co. v. Cadbury Adams USA LLC*

Nos. 11-1140, -1150 (Fed. Cir. June 22, 2012)

[Appealed from N.D. Ill., Judge Dow, Jr.]

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No. 11-1451 (Fed. Cir. June 26, 2012)

[Appealed from Board]

### 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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**July 2012**

**Direct Infringement Can Be Sufficiently Pleaded with Form 18 of the Federal Rules; Indirect Infringement Must Meet the *Iqbal* and *Twombly* Standard**

*Lillian M. Robinson*

**Judges:** Newman (dissenting-in-part and concurring-in-part), Prost, O'Malley (author)  
**[Appealed from S.D. Ohio, Senior Judge Beckwith]**

In *In re Bill of Lading Transmission & Processing System Patent Litigation*, Nos. 10-1493, -1494, -1495, -1496, 11-1101, -1102 (Fed. Cir. June 7, 2012), the Federal Circuit affirmed-in-part, reversed-in-part, and remanded the district court's dismissal with prejudice of R+L Carriers, Inc.'s ("R+L") amended complaints of indirect infringement against six Appellees, finding that R+L failed to state a claim of contributory infringement but adequately stated a claim of induced infringement.

R+L owns U.S. Patent No. 6,401,078 ("the '078 patent"), directed to a method of efficiently enabling the delivery of freight in the less-than-a-load trucking industry. In 2008, R+L sent cease-and-desist letters to two of the Appellees, and the Appellees filed DJ actions for judgments of invalidity and noninfringement. R+L sued the remaining Appellees and several alleged direct infringers, and the lawsuits were consolidated. Ten of the alleged indirect infringers filed motions to dismiss or motions for judgment on the pleadings, and all of the motions were granted by the district court. R+L filed amended complaints against each of the six Appellees.

The Appellees filed a joint motion to dismiss under Fed. R. Civ. P. 12(b)(6) for failure to state a claim. The district court found that the amended complaints failed to state a claim of indirect infringement, finding that R+L failed to plausibly plead specific intent to induce infringement and failed to plausibly plead that the accused products were not capable of substantial noninfringing uses. The district court also concluded that any justiciable controversies giving rise to R+L's DJ claims were moot, and dismissed those claims as well.

On appeal, R+L argued that the district court erred by holding that "offer to sell" liability does not exist under 35 U.S.C. § 271(c) for a method patent. The Federal Circuit held that contributory infringement can be based on an offer to sell a product for use in practicing a patented method, and that direct infringement is a prerequisite for contributory infringement. The Court stated it need not decide whether a method patent can be directly infringed by offering to sell a patented method.

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**"To state a claim for indirect infringement, . . . a plaintiff need not identify a *specific* direct infringer if it pleads facts sufficient to allow an inference that at least one direct infringer exists." Slip op. at 19.**

**"Where the product is equally capable of, and interchangeably capable of**

**both infringing and substantial non-infringing uses, a claim for contributory infringement does not lie.” *Id.* at 23.**

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R+L also argued that the district court erred by holding that a complaint must identify a specific direct infringer to assert a claim for indirect infringement. The Federal Circuit concluded that the district court erred in finding R+L’s allegations of direct infringement deficient. The Federal Circuit reasoned that Form 18 of the Federal Rules of Civil Procedure, which sets forth a sample complaint for direct patent infringement, applied and that the *Twombly* and *Iqbal* pleading standard is “too stringent” in this context. Slip op. at 16. “To state a claim for indirect infringement, . . . a plaintiff need not identify a *specific* direct infringer if it pleads facts sufficient to allow an inference that at least one direct infringer exists.” *Id.* at 19. The Court held that as long as a complaint meets the requirements of Form 18, it sufficiently pleads direct infringement.

R+L also argued that the district court erred by concluding that its claims for contributory and induced infringement failed to plausibly state a claim for relief. The Court held that Form 18 does not apply to allegations of indirect infringement, and that they must look to Supreme Court precedent for guidance regarding such claims. Regarding contributory infringement, the Federal Circuit held that R+L did not adequately plead that the Appellees’ products had no substantial noninfringing uses. “Where the product is equally capable of, and interchangeably capable of both infringing and substantial non-infringing uses, a claim for contributory infringement does not lie.” *Id.* at 23. The Court held that the product quotes provided by R+L contained repeated descriptions of noninfringing uses, and that formal claim construction was not required to conclude that the Appellees’ products could be used for noninfringing purposes. The Court affirmed the dismissal of R+L’s contributory infringement claims.

Regarding induced infringement, the Court noted that the district court failed to draw all reasonable inferences in favor of the nonmoving party. “Nothing in *Twombly* or its progeny allows a court to choose among competing inferences as long as there are sufficient facts alleged to render the non-movant’s asserted inferences plausible.” *Id.* at 26. “[W]hen the allegations of R+L’s lengthy and detailed amended complaints are considered as a whole, and the facts are considered in the context of the technology disclosed in the ’078 patent and the industry to which Appellees sell and tout their products, it is clear that the inferences R+L asks to be drawn are both reasonable and plausible.” *Id.* at 28. The Court reversed the dismissal of R+L’s induced infringement claims.

Finally, R+L argued that the district court erred by refusing to exercise jurisdiction over R+L’s claims for DJ. The Federal Circuit held that because the district court erred by dismissing the amended complaints in their entirety, the district court must reconsider this issue.

Judge Newman dissented-in-part and concurred-in-part, stating that the majority opinion establishes a new pleading standard for patent infringement actions and discards the general national standard for civil complaints. Judge Newman disagreed with the majority’s opinion that the Forms of the Federal Rules of Civil Procedure override the Supreme Court’s guidance in *Iqbal* and *Twombly*.

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**July 2012**

### **“Person of Ordinary Skill in the Art” Standard Applies in Evaluating Continuity of Disclosure in a Priority Chain**

*Mayssam H. Ali*

**Judges: Prost (author), Mayer, O’Malley**  
**[Appealed from Board]**

In *Hollmer v. Harari*, No. 11-1276 (Fed. Cir. June 7, 2012), the Federal Circuit reversed and remanded, because the Board misinterpreted the Court’s earlier decision in *Harari v. Hollmer*, 602 F.3d 1348 (Fed. Cir. 2010) (“*Harari I*”), in finding that continuity was maintained in the chain of priority between two applications involved in an interference.

U.S. Patent Application No. 09/310,880 (“the ‘880 application”), assigned to Eliyahou Harari and Sanjay Mehrotra (collectively “Harari”), is the fifth in a chain of continuation and divisional applications beginning with U.S. Patent Application No. 07/337,566 (“the ‘566 application”), and continuing with U.S. Patent Application No. 07/963,838 (“the ‘838 application”), then U.S. Patent Application No. 08/174,768 (“the ‘768 application”), then U.S. Patent Application No. 08/771,708 (“the ‘708 application”) just before the ‘880 application. The original ‘566 application was filed on the same day as U.S. Patent Application No. 07/337,579 (“the ‘579 application”), also to Harari, and included a statement incorporating the ‘579 application by reference. The incorporation language identified the ‘579 application only by its title and as “copending” with and “filed on the same day as the present application.” Slip op. at 3 (emphasis and citation omitted).

The ‘880 application included the same “incorporation by reference” statement as the original ‘566 application, but was filed with a preliminary amendment adding material from the ‘579 application and explicitly identifying the ‘579 application in the “incorporation by reference” statement. The original incorporation statement from the ‘566 application was also present in the intervening ‘838 and ‘768 applications. These intervening applications were not amended to identify the ‘579 application by serial number and filing date.

During the interference, Shane C. Hollmer and Lee E. Cleveland (collectively “Hollmer”) argued that material incorporated into the ‘880 application in the preliminary amendment constituted new matter because the ‘579 application was not identified in the original disclosure, and that the claims of the ‘880 application were therefore unpatentable for lack of written description. The Board agreed, but was reversed by the Federal Circuit in the first appeal, *Harari I*. In that appeal, the Court explained that a “reasonable examiner” standard applied when evaluating the sufficiency of the incorporation by reference at the initial filing stage, and concluded that a reasonable examiner would have understood the original incorporation statement to refer to the ‘579 application.

On remand, the parties disputed whether the ‘880 application was entitled to claim the benefit of the

original '566 application. Hollmer argued that Harari was not entitled to claim priority back to the '566 application because the intervening '838 and '768 priority applications did not properly incorporate the '579 application by reference, and therefore did not provide the continuity of disclosure required for a priority claim under 35 U.S.C. § 120. Applying the “reasonable examiner” standard of *Harari I*, the Board entered judgment against Hollmer.

In the instant appeal, the issue before the Federal Circuit was what standard should apply in reviewing whether such incorporation statements satisfy the continuity requirements of § 120.

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**“[T]he continuity inquiry [of § 120] is undertaken using the ‘reasonable person of ordinary skill in the art standard’ . . . .” Slip op. at 11.**

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The Court first noted that each application in a priority chain must comply with the written description requirement of 35 U.S.C. § 112. Hence, in order for the '880 application to be entitled to claim priority to the '566 application, the intervening '838 and '768 applications must have incorporated the '579 application by reference. Further, the Court found that *Harari I*, which did not address the intervening applications, did not resolve this question. Moreover, *Harari I* dealt with a “narrow circumstance” for which the “reasonable examiner” standard was appropriate, i.e., when an initially filed application with ambiguous incorporation by reference language was before an examiner. In contrast, the appropriate standard when evaluating continuity of disclosure is that of the person of ordinary skill in the art. Finally, because § 120 requires that the disclosure actually appear within the specification, and because amendments in later applications cannot cure an otherwise defective application in the priority chain, the Court explained that the “incorporation by reference” analysis is constrained by the four corners of the application.

Applying the “person of ordinary skill” standard, the Court concluded that the incorporation language in the intervening applications did not identify the '579 application with adequate particularity. First, those applications were neither “filed on the same day as,” nor “copending” with, the '579 application. In addition, because there were at least two other applications by the same inventors that had the same title as the '579 application and were copending with the '838 application, the person of ordinary skill in the art would not have known which application the inventors intended to incorporate. Therefore, the '880 application was not entitled to claim the benefit of the intervening '838 and '768 applications, or the original '566 application.

Thus, the Court reversed the Board’s decision and remanded the case to the Board to enter judgment that the effective filing date of the '880 application is the filing date of the immediately preceding application in the chain and for further proceedings consistent with its opinion.

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### **Circumstantial Evidence Suggesting Use of an Accused Product in an Infringing Manner Is Enough to Preclude SJ of Noninfringement as to Inducement**

*Christopher J. Siebens*

**Judges: Dyk (concurring-in-part and dissenting-in-part), Schall, Moore (author)  
[Appealed from W.D. Wis., Magistrate Judge Crocker]**

In *Toshiba Corp. v. Imation Corp.*, No. 11-1204 (Fed. Cir. June 11, 2012), the Federal Circuit affirmed-in-part and vacated-in-part a district court's grant of SJ of noninfringement. Specifically, the Federal Circuit held that the district court correctly granted SJ of noninfringement as to contributory infringement of U.S. Patent No. 5,892,751 ("the '751 patent"), erred in granting SJ of noninfringement as to induced infringement of the '751 patent, and erred in granting SJ of noninfringement of claim 1 of U.S. Patent No. 5,831,966 ("the '966 patent").

Both the '751 and '966 patents relate to optical disc technology. In particular, the '751 patent is directed to how data are written onto DVDs. In accordance with DVD standards, the claims of the '751 patent require, among other things, a disc organized into three areas: a "lead-in area," a "data area," and a "lead-out area." The lead-in area contains information about the DVD's structure and properties, the data area stores recorded data, and the lead-out area indicates the functional end of the data area. The asserted claims of the '751 patent require that the optical discs have a test pattern in the lead-in area. Such test patterns may be used by DVD players to ensure that data are read properly from the DVD.

Data can be recorded onto DVDs using one of two methods: the "disc-at-once mode," which writes all of the data to the disc in a single session (including the lead-in and lead-out areas), and a "multisession mode," which allows a user to record some data in one session and then later record additional data to the DVD in another session. In multisession mode, a user may choose to "finalize" the DVD after all of the data have been recorded on the DVD. The DVD does not contain the test pattern or the lead-out data prior to finalization.

The '966 patent describes a recording medium, such as a DVD, containing a "management region" with information about the structure of the medium. DVDs may have one or two sides on which data may be recorded. A DVD may also have one or more layers on a single side for recording data. The DVD standards require the lead-in areas of DVDs to include data that indicate the number of layers on the current side of the disc and to identify the current layer.

Toshiba Corporation ("Toshiba") accused Imation Corporation ("Imation") of infringing claims of the '751 and '966 patents. Imation moved for SJ of no indirect infringement of the '751 patent. The district court granted Imation's motion, concluding that the use of unfinalized DVDs was a substantial noninfringing use. In granting the motion, the district court held that both theories of indirect infringement—contributory and inducement—fail if there are any substantial noninfringing uses.

Imation also moved for SJ of no direct infringement of the '966 patent. The district court granted the motion because the accused DVDs were only single-sided, so the identifying information on them did not have the "purpose of providing information for the entire recording medium," in accordance with the district court's claim construction of claim 1. Slip op. at 4. The parties stipulated to dismissal of the remaining claim of direct infringement.

On appeal, the Federal Circuit first reviewed the district court's grant of SJ of noninfringement of the '751 patent. On the issue of contributory infringement, the Court agreed with Imation that Toshiba failed to proffer evidence to create a genuine issue of material fact. The Court agreed with the district court that the evidence established that recording DVDs without finalizing them is a noninfringing use, and that there is no evidence that this use is not substantial. The Court rejected Toshiba's argument that the DVD standards require finalization, concluding that the DVD standards recognize recording to DVDs without finalization. Finally, the Court found that Toshiba's user manuals provided evidence that users may choose not to finalize DVDs because it is a laborious process. Finding insufficient evidence to create a genuine issue of material fact, the Court affirmed the grant of SJ of no contributory infringement of the '751 patent.

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**"We hold there is sufficient evidence such that a 'jury in the present case could . . . reasonably conclude[] that, sometime during the relevant period . . . more likely than not one person somewhere in the United States' finalized DVDs or used the disc-at-once mode." Slip op. at 13 (alterations in original) (quoting *Lucent Techs., Inc. v. Gateway, Inc.*, 580 F.3d 1301, 1318 (Fed. Cir. 2009)).**

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Turning to induced infringement of the '751 patent, the Federal Circuit found that the district court erred as a matter of law in holding that the existence of a substantial noninfringing use also precludes a finding of induced infringement. The Court explained that, to the contrary, the existence of a substantial noninfringing use does not preclude a finding of inducement.

The Court rejected Imation's alternative argument that the grant of SJ of no inducement should be affirmed because Toshiba failed to provide evidence of direct infringement. In so doing, the Court explained that direct infringement can be shown by circumstantial evidence that "at least one person directly infringed an asserted claim during the relevant period." *Id.* at 10. Significantly, the Court concluded that when used in the disc-at-once mode to record data, a DVD necessarily infringes the '751 patent because it automatically writes the lead-in area with the test pattern, as well as the data area and the lead-out area. Further, the Court found that the disc-at-once mode does not contain a separate finalization option. The Court further explained that Imation's user instructions provide that DVDs must be finalized to ensure compatibility with DVD standards, and advise against using the multisession mode to record data. Accordingly, the Court concluded that there was sufficient evidence, such that a jury could reasonably conclude that sometime during the relevant time period, more likely than not, one person in the United States finalized DVDs or used the disc-at-once mode.

Turning to the '966 patent, the Federal Circuit reviewed the district court's grant of SJ of noninfringement and its construction of two claim terms. Specifically, the Court reviewed the district court's constructions of the phrases "number-of-recording planes identifying information" and "recording-plane identifying information that uniquely identifies that recording plane," which the district court had construed as "information *whose purpose* is to identify the number of recording planes on the recording medium" and "information *whose purpose* is to identify the recording plane being reproduced," respectively. *Id.* at 15. The Court ultimately agreed with Toshiba that the district court had improperly read a "purpose" requirement into claim 1. In particular, the Court noted that the language of the claim requires only that the information "represents" the number of recording planes or "uniquely identifies" the recording plane. *Id.* at 17.

In so holding, the Court rejected Imation's argument that the '966 patent contemplates only two-sided discs. The Court also found no requirement that the "number of recording planes" limitation in claim 1 requires identifying both the number of disc sides and the number of layers per side, as Judge Dyk stated in a dissenting opinion. Rather, the Court concluded that the claim language was broad enough to cover one-sided discs, the claim terms at issue are structural elements, and the district court erred in its construction of both terms and in granting SJ of noninfringement of the '966 patent.

Judge Dyk dissented as to the claim construction and infringement analysis for claim 1 of the '966 patent. In Judge Dyk's view, "repeated and consistent references to disc sides in the specification and prosecution history clearly show that 'number-of-recording-planes identifying information' requires the identification of disc sides." Dyk Dissent at 2. Because Judge Dyk concluded that claim 1 requires that an accused DVD be able to identify whether the DVD has one recording side or two recording sides, Judge Dyk would have affirmed the district court's grant of SJ of noninfringement of the '966 patent.

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### Federal Circuit Issues New Standards for Determining Willfulness

Joyce Craig

**Judges:** Newman (concurring-in-part and dissenting-in-part), Gajarsa (author), Linn  
**[Appealed from D. Ariz., Judge Murguia]**

In *Bard Peripheral Vascular, Inc. v. W.L. Gore & Associates, Inc.*, No. 10-1510 (Fed. Cir. June 14, 2012), the Federal Circuit vacated portions of its previous decision in *Bard Peripheral Vascular, Inc. v. W.L. Gore & Associates, Inc.*, 670 F.3d 1171 (Fed. Cir. 2012), relating to willfulness. The Court held that the threshold objective prong of the willfulness standard enunciated in *In re Seagate Technology, LLC*, 497 F.3d 1360 (Fed. Cir. 2007) (en banc), is a question of law based on underlying mixed questions of law and fact, and is subject to de novo review. The Court remanded the issue of willfulness to the district court to reconsider its denial of JMOL of no willful infringement, with instructions that, if the court grants the JMOL, it should then reconsider its decisions on enhanced damages and attorneys' fees.

The Federal Circuit previously held that the district court was correct in its judgment and affirmed all of the conclusions reached by the district court. W.L. Gore & Associates, Inc. ("Gore") then filed a petition for rehearing and rehearing en banc, in which Gore again faulted the district court's willfulness analysis. Separately, an amicus brief in support of Gore's petition argued that the objective prong of willfulness should be considered a question of law subject to de novo review on appeal. The Federal Circuit granted the petition for rehearing en banc and asked the original panel to revisit the issue of willfulness and the applicable standard of review.

In revisiting the issue of willfulness, the Federal Circuit noted that *Seagate* established a two-pronged test for establishing willful infringement. First, "a patentee must show by clear and convincing evidence that the infringer acted despite an objectively high likelihood that its actions constituted infringement of a valid patent." Slip op. at 4 (quoting *Seagate*, 497 F.3d at 1371). Once the "threshold objective standard is satisfied, the patentee must also demonstrate that this objectively-defined risk . . . was either known or so obvious that it should have been known to the accused infringer." *Id.* (alteration in original) (quoting *Seagate*, 497 F.3d at 1371). The *Seagate* court left it to future cases to further develop the application of this standard. Following *Seagate*, the Federal Circuit established the rule that, generally, the objective prong of *Seagate* is not met where an accused infringer relies on a reasonable defense to a charge of infringement. Thus, the question on appeal is often whether a defense or noninfringement theory is "reasonable."

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**"In considering the objective prong of *Seagate*, the judge may when the defense is a question of fact or a mixed question of law and fact allow the jury to determine the underlying facts relevant to the defense in the first instance, for example, the questions of anticipation or obviousness. But, . . . the**

**ultimate legal question of whether a reasonable person would have considered there to be a high likelihood of infringement of a valid patent should always be decided as a matter of law by the judge.” Slip op. at 9.**

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The ultimate question of willfulness has long been treated as a question of fact. The Federal Circuit, after reviewing its and the Supreme Court’s precedent in similar contexts, concluded that simply stating that willfulness is a question of fact oversimplifies the issue, however. The Court explained that, while the ultimate question of willfulness based on an assessment of the second prong of *Seagate* may be a question of fact, the threshold determination of objective recklessness entails an objective assessment of potential defenses based on the risk presented by the patent. Those defenses may include questions of infringement, but also can be expected to entail questions of validity that are not necessarily dependent on the factual circumstances of the particular party accused of infringement.

The Court explained that when an “issue falls somewhere between a pristine legal standard and a simple historical fact, the fact/law distinction at times has turned on a determination that, as a matter of sound administration of justice, one judicial actor is better positioned than another to decide the issue in question.” *Id.* at 6 (quoting *Miller v. Fenton*, 474 U.S. 104, 114 (1985)). Applying this principle, the Federal Circuit decided that the Court is in the best position for making the determination of reasonableness. Accordingly, the Court held that the objective determination of recklessness, even though predicated on underlying mixed questions of law and fact, is best decided by the judge as a question of law subject to de novo review. The Federal Circuit instructed that, in considering the objective prong of *Seagate*, a judge may allow the jury to determine the underlying facts relevant to the defense in the first instance, for example, the questions of anticipation or obviousness. But, the ultimate legal question of whether a reasonable person would have considered there to be a high likelihood of infringement of a valid patent should always be decided as a matter of law by the judge.

Having clarified the legal standard for *Seagate*’s objective willfulness prong, the Court concluded that remand was appropriate to permit the district court to apply the correct standard to the question of willfulness in the first instance. Gore asserted several defenses that it says were “reasonable”—inventorship, inadequate written description, obviousness, and anticipation. On remand, the Court directed the district court to determine whether a reasonable litigant could realistically expect those defenses to succeed. If, in view of the facts, the asserted defenses were not reasonable, only then can the jury’s subjective willfulness finding be reviewed for substantial evidence. Judge Newman concurred with vacating the previous determination on willfulness, but dissented from the partial remand.

Judge Newman concluded that no remand was necessary because the record contained “a host of potentially relevant facts” that Gore could reasonably have believed would invalidate the patent-at-issue or support Gore’s right to continue to produce the accused products. Newman Dissent at 2.

Judge Newman believed that, if the Court insisted on a retrial of willfulness, the appealed issues of validity and inventorship should also be reviewed, as the question of infringement could evaporate, mooting any question of willfulness.

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**June 2012**

### **A Reference May Anticipate Even If It Requires a Person of Ordinary Skill to Pick Items from Lists of Components to Assemble the Invention**

*Wanli Tang\**

**Judges:** Newman (concurring-in-part and dissenting-in-part), Bryson (author), Fogel (district judge sitting by designation)

**[Appealed from N.D. Ill., Judge Dow, Jr.]**

In *Wm. Wrigley Jr. Co. v. Cadbury Adams USA LLC*, Nos. 11-1140, -1150 (Fed. Cir. June 22, 2012), the Federal Circuit affirmed the district court's determination on SJ that a patent owned by Wm. Wrigley Jr. Co. ("Wrigley") was invalid and that Wrigley's product did not infringe a patent owned by Cadbury Adams USA LLC ("Cadbury").

Wrigley and Cadbury compete in the market for chewing gum. This case involved gum that provided a cooling sensation when chewed. Menthol, historically known to provide a cooling sensation, has drawbacks that newer products, such as coolants "WS-3" and "WS-23," do not have. Cadbury owns U.S. Patent No. 5,009,893 ("the '893 patent"), directed to a chewing gum that combines menthol with WS-3. Meanwhile, Wrigley owns U.S. Patent No. 6,627,233 ("the '233 patent"), claiming a chewing gum combining menthol with WS-23.

Cadbury's products embodying the '893 patent went on the market before Wrigley's products embodying the '233 patent. After Wrigley introduced its menthol/WS-23 chewing gum, Cadbury reformulated some of its products to contain both menthol and WS-23. Wrigley sued Cadbury for infringing the '233 patent. Cadbury counterclaimed that Wrigley's menthol/WS-23 chewing gum products infringed the '893 patent and that the '233 patent was invalid for obviousness and anticipation. The district court granted SJ of invalidity of the '233 patent and noninfringement of the '893 patent.

On appeal, the Court affirmed that U.S. Patent No. 5,688,491 ("Shahidi") anticipated claim 34 of the '233 patent. Shahidi discloses various oral compositions, including chewing gum. Shahidi also lists categories of components that can be included in the compositions, including "essential" and "non-essential," and certain "non-essential" components are noted as "preferred." Within the category of "cooling agents," Shahidi discloses WS-3 and WS-23 as two of the three "particularly preferred cooling agents." Slip op. at 8.

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**"The question for purposes of anticipation is therefore whether the number of categories and components in [the prior art reference] was so large that the combination [of items from various categories] would not be immediately apparent to one of ordinary skill in the art." Slip op. at 8-9.**

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In finding that Shahidi “envision[ed] using WS-23 and menthol in a single product,” the Court rejected Wrigley’s argument that Shahidi did not disclose all the elements in the combination as recited in claim 34. *Id.* It also rejected the proposition that a prior art reference was not enabling simply because it required one of ordinary skill in the art to pick items from two lists of components to assemble the invention. Instead, the key inquiry was “whether the number of categories and components in Shahidi was so large that the combination of WS-23 and menthol would not be immediately apparent to one of ordinary skill in the art.” *Id.* at 8-9. Accordingly, the Court found that Shahidi anticipated claim 34 because it specifically disclosed the use of both WS-23 and menthol in chewing gum and included component amounts within the range as claimed in the ’233 patent. *Id.* at 9.

Next, the Court affirmed that claim 34 of the ’233 patent was obvious in view of U.S. Patent No. 5,698,181 (“Luo”) over an article by Dr. M. A. Parrish (“Parrish”). Luo discloses chewing gum that achieves a cooling effect by combining WS-3 and menthol. Parrish describes WS-3 and WS-23 as potential replacements for menthol in applications like chewing gum. Wrigley argued that combining menthol and WS-23 was not obvious because it produced an unexpected cooling effect beyond what one of ordinary skill in the art would predict. Emphasizing that the synergistic effect of combining coolants had already been discovered, the Court found obviousness because Wrigley failed to demonstrate that “the results were unexpected to a significant degree beyond what was already known about the effect of combining WS-3 and menthol.” *Id.* at 11.

In particular, the Court pointed out that Wrigley’s products differed from Cadbury’s products in “a number of other ways” besides replacing WS-3 with WS-23 and that Wrigley failed to show “any nexus between the success of Wrigley’s chewing gums covered by Claim 34 and the specific combination of menthol and WS-23.” *Id.* at 12. Therefore, the superior flavor and cooling features of Wrigley’s products, as well as their commercial success, could not serve as probative evidence of the nonobviousness of claim 34. *Id.* at 12-13. Wrigley further argued that Cadbury’s copying of Wrigley’s products supported the nonobviousness of claim 34. The Federal Circuit again found this argument unpersuasive for lacking a nexus between Cadbury’s copying and the novel aspects of claim 34. *Id.* at 13. According to the Court, the fact that chewing gum market participants typically copied each other’s development provided evidence to the contrary. *Id.* at 14.

Finally, the Court affirmed that Wrigley’s products did not infringe the ’893 patent, either literally or under the DOE. The claims-at-issue in the ’893 patent used the term “N-substituted-p-menthane carboxamide of [a specific formula],” which covered WS-3 but not WS-23. *Id.* at 3 (alteration in original). On appeal, both parties agreed that WS-23 did not literally infringe the ’893 patent, but Cadbury maintained that it infringed under the DOE. The Court rejected Cadbury’s argument, reasoning that both the disclosure and the claims of the ’893 patent suggested that WS-23 was not an equivalent of WS-3. On one hand, the disclosure of the ’893 patent narrowly focused on N-substituted-p-menthane carboxamide and emphasized its structural similarity with menthol, which arguably was not shared by WS-23. On the other hand, the Court noted that the “claims themselves [were] narrow,” covering only a subset of the N-substituted-p-menthane carboxamide. *Id.* at 17.

To support its argument that Wrigley infringed the ’893 patent under the DOE, Cadbury relied on *Abraxis Bioscience, Inc. v. Mayne Pharma Inc.*, 467 F.3d 1370 (Fed. Cir. 2006), which held that diethylenetriaminepentaacetic acid (“DTPA”) was an equivalent of edetate and therefore was covered by the patent-at-issue under the DOE. The Court distinguished *Abraxis* by highlighting that the patentee in *Abraxis* had no reason to claim DTPA because it was not known to be interchangeable with edetate. Here, however, the inventors of the ’893 patent were “on notice of the potential interchangeability of WS-23 and WS-3, yet they drafted the claims of the ’893 patent narrowly” without including WS-23. Slip op. at 17-18. As a result, *Abraxis* did not compel a finding of infringement under the DOE. Thus, the Court affirmed the district court’s determinations of SJ of invalidity of the ’233 patent and noninfringement of the ’893 patent.

Judge Newman, while concurring on the noninfringement of the '893 patent, dissented-in-part. In her view, the '233 patent was valid. On the obviousness issue, she emphasized that the evidence of commercial success and copying by the infringer should be considered in determining whether a prima facie case of obviousness had been presented. Judge Newman would have reversed the district court's holding that a prima facie case was established on the prior art alone, which then shifted the burden of proof to the patentee to rebut the finding of obviousness. On the anticipation issue, Judge Newman explained that Shahidi did not anticipate claim 43 because it did not show the specific combination of menthol and WS-23, or present "so short and selective a list of these ingredients as to warrant an inference that their combination was already known." Newman Dissent at 9.

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### **Obviousness Combination Does Not Impermissibly Change Operating Principle of Prior Art**

*Benjamin T. Sirolly\**

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

**[Appealed from Board]**

In *In re Mouttet*, No. 11-1451 (Fed. Cir. June 26, 2012), the Federal Circuit affirmed the rejection of all pending patent claims in U.S. Patent Application No. 11/395,232 (“the ’232 application”) for obviousness under 35 U.S.C. § 103. The Court upheld the Board’s factual findings that a person of ordinary skill in the art would predictably combine the prior art to yield the claimed subject matter and that the prior art did not teach away from the claimed invention.

Sole inventor Blaise Laurent Mouttet submitted the ’232 application disclosing a nanoscale “Crossbar Arithmetic Processor.” The ’232 application claims a nanoscale array of conductive parallel wires laid in columns on top of a second set of conductive wires in rows, where a thin film joins the crosspoints. The device stores binary values by applying varying voltages across the wires and changing the crosspoint film’s resistance. The ’232 application also discloses an input unit that controls the voltages and an output unit that reads and converts the analog voltages into digital outputs.

At the PTO, the examiner rejected the claims of the ’232 application as obvious under 35 U.S.C. § 103. The examiner considered, inter alia, three pieces of prior art: a patent disclosing an optical crossbar arithmetic processor (“Falk”); a publication describing an electrical nanoprocessor system integrated on the molecular scale (“Das”); and a patent disclosing a digital signal processor (“Terepin”).

Mouttet appealed to the Board, which affirmed the rejection of all claims. The Board explained that the Falk reference discloses all but three limitations of the ’232 application. Specifically, the Falk reference discloses optical paths instead of electrical wires, crosspoints with programmable optical intensity rather than electrical conductivity, and no analog-to-digital converter. In other words, although both Falk and Mouttet disclose crossbar arithmetic units, the Board determined that the Falk reference teaches the use of optical techniques for data transmission and storage while the Mouttet reference uses electrical techniques. After examining the references, the Board ruled that one of ordinary skill in the art would have substituted Das’s electrically wired array for Falk’s optical crossbar. Combined with the analog-to-digital converter from Terepin, the Board concluded that these three pieces of prior art yielded Mouttet’s claimed device.

The Board also found that the prior art did not teach away from the device claimed in the ’232 application because, to teach away, a reference must discourage one of ordinary skill in the art from pursuing an area of design. The Board found that language in Falk describing the “fundamental difference” between optical and electrical circuits represents a preferred embodiment rather than a teaching away.

**“It is well-established that a determination of obviousness based on teachings from multiple references does not require an actual, physical substitution of elements.” Slip op. at 15.**

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Moultet then appealed to the Federal Circuit, again arguing that substituting electronic hardware for optical hardware would destroy the Falk device’s principle of operation and physical structure, and that Falk teaches away from the claimed invention.

The Federal Circuit first considered Moultet’s argument that the Board erred in finding that Falk does not suggest that using electronic wires instead of optical paths would destroy Falk’s ability to operate as a programmable arithmetic unit. Explaining that nothing in Falk’s disclosure applies uniquely to optical implementation, the Court concluded that a person of ordinary skill in the art would have recognized the structures’ functional equivalence, even in the absence of full physical equivalence. The Court explained that “[i]t is well-established that a determination of obviousness based on teachings from multiple references does not require an actual, physical substitution of elements.” Slip op. at 15. Accordingly, the Board’s § 103(a) determination did not require that Das’s features be deemed equivalent for purposes of substitution into Falk’s device. The Court concluded that the Board properly found that Falk’s arithmetic processor could have been combined with Das’s wired crossbar array to predictably yield Moultet’s claimed computing device.

The Court also considered Moultet’s objection to the substitution of electrical components into Falk’s optical crossbar array where the Board designated Falk the “base reference.” The Court concluded that Moultet’s objection was based on the incorrect assumption that, because Falk was designated as the primary reference, Falk’s optically based crossbar implementation was a controlling principle of operation that any prior art combination must preserve. The Court noted that “where the relevant factual inquiries . . . are otherwise clear, characterization by the examiner of prior art as ‘primary’ and ‘secondary’ is merely a matter of representation with no legal significance.” *Id.* at 16.

The Federal Circuit next considered Moultet’s argument that Falk teaches away from the claimed invention. The Court, however, found substantial evidence to support the Board’s determination that the passage in Falk on which Moultet relied does not teach away from a computing device using an electrical crossbar array. The Court reminded that the “mere disclosure of alternative designs does not teach away,” and that “just because better alternatives exist in the prior art does not mean that an inferior combination is inapt for obviousness purposes.” *Id.* at 18 (quoting *In re Fulton*, 391 F.3d 1195, 1201 (Fed. Cir. 2004)). Finding no teaching in Falk that a crossbar arithmetic processor should not or cannot be implemented with electronic circuitry, the Federal Circuit upheld the Board’s determination that Falk does not teach away from the claimed invention.

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### **Spotlight Info**

In *In re Bill of Lading Transmission & Processing System Patent Litigation*, Nos. 10-1493, -1494, -1495, -1496, 11-1101, -1102 (Fed. Cir. June 7, 2012), the Federal Circuit affirmed-in-part, reversed-in-part, and remanded the district court's dismissal with prejudice of R+L Carriers, Inc.'s ("R+L") amended complaints of indirect infringement, finding that R+L failed to state a claim of contributory infringement but adequately stated a claim of induced infringement. The Court held that, "[t]o state a claim for indirect infringement, . . . a plaintiff need not identify a *specific* direct infringer if it pleads facts sufficient to allow an inference that at least one direct infringer exists." Slip op. at 19. Notably, the Court held that direct infringement is sufficiently pleaded as long as the requirements of Form 18 of the Federal Rules of Civil Procedure are met. 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**

This month, in *Sciele Pharma Inc. v. Andrx Corp.*, No. 12-1228 (Fed. Cir. July 2, 2012), the Federal Circuit addressed the issue of a modified presumption of validity based on certain events during prosecution at the PTO.

In this case, the patentee argued that a heightened presumption of validity should be afforded when a prior art reference asserted at trial had been previously considered by the PTO during prosecution. Alternatively, the accused infringer argued that a lower presumption of validity should be afforded where the PTO committed an error, such as in this case, issuing a patent containing previously rejected or cancelled claims. The Federal Circuit rejected both arguments, stating that the burden of proof remains the same “clear and convincing evidence of invalidity” standard. The Court, however, acknowledged that circumstances surrounding prosecution at the PTO could impact the weight that the fact-finder assigns to certain evidence in making its invalidity determination.

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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