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March 2012

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[Appealed from D. Ariz., Judge Murguia]

Commission

No. 10-1223 (Fed. Cir. Feb. 29, 2012)

[Appealed from ITC]

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 *Bard Peripheral Vascular, Inc. v. W.L. Gore & Associates, Inc.*, No. 10-1510 (Fed. Cir. Feb. 10, 2012), the Federal Circuit affirmed the district court's decision, ending a long saga between the parties that included an eighteen-year interference and two prior appeals to the Federal Circuit. Over a lengthy dissent from Judge Newman, the Court found substantial evidence to support the jury's verdict that the patent-in-suit was not invalid for improper inventorship, anticipation, obviousness, or lack of written description. The Court also found substantial evidence supported the finding that W.L. Gore & Associates, Inc. ("Gore") willfully infringed the patent-in-suit. In light of this finding, the Federal Circuit held that the district court did not abuse its discretion in awarding enhanced damages and attorneys' fees and costs amounting to over \$390 million. Moreover, in lieu of granting a permanent injunction, the Court affirmed the district court's decision to grant an ongoing royalty ranging from 12.5% to 20% to compensate for Gore's future infringement. Although the dissent labeled the district court's decision an "insult to [the] judicial process" (Newman Dissent at 21), the majority praised the district court's "well-reasoned and well-grounded opinions" (slip op. at 40), further noting that it could not ignore the long history of the case or revisit the facts anew. 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 March 2, 2012, in *MySpace, Inc. v. Graphon Corp.*, No. 11-1149 (Fed. Cir. Mar. 2, 2012), a majority of the Court affirmed the district court's finding of invalidity of the patents-in-suit under §§ 102 and 103 of the Patent Act. The majority rejected the dissent's argument that issues arising under § 101 are "antecedent question[s]" that must be addressed before the Court can reach the §§ 102 and 103 issues. The majority stated:

Rather than taking the path the dissent urges, courts could avoid the swamp of verbiage that is § 101 by exercising their inherent power to control the processes of litigation If that were done in the typical patent case, litigation over the question of validity of the patent would be concluded under these provisions, and it would be unnecessary to enter the murky morass that is § 101 jurisprudence.

Slip op. at 17.

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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Clear and Explicit Statements Are Required to Redefine Claim Terms or Disavow Claim Scope

*Cora R. Holt**

Judges: Rader, Moore (author), Aiken (district judge sitting by designation)

[Appealed from D.N.J., Chief Judge Brown]

In *Thorner v. Sony Computer Entertainment America LLC*, No. 11-1114 (Fed. Cir. Feb. 1, 2012), the Federal Circuit vacated and remanded the district court's construction of two claim terms on which the parties had based their stipulation of noninfringement.

Craig Thorner and Virtual Reality Feedback Corporation (collectively "Thorner") accused Sony Computer Entertainment America LLC and a number of other Sony entities (collectively "Sony") of infringing claims of U.S. Patent No. 6,422,941 ("the '941 patent"). The '941 patent relates to a tactile feedback system for video games by which a user receives feedback in response to certain game activities. Independent claim 1 requires "a flexible pad," "a plurality of actuators attached to said pad," and a control circuit that activates the actuators in response to game activity. Slip op. at 3.

The district court construed the terms "flexible pad" and "attached to said pad." It held that "flexible" in the '941 patent meant "capable of being noticeably flexed with ease," and not simply "capable of being flexed." *Id.* at 3-4. The district court also held that actuators "attached to said pad" encompassed only actuators "affixed to the exterior surface of the pad" and did not include actuators embedded within the pad. *Id.* at 4. Following this claim construction, the parties stipulated to a judgment of noninfringement.

On appeal, the Federal Circuit first explained that there are only two exceptions to the general rule that words of a claim must be given their ordinary and customary meaning: (1) when a patentee acts as his own lexicographer, and (2) when a patentee disavows the full scope of a claim term. The Court noted that both exceptions require a clear and explicit statement by the patentee, and found that the use of the term "attached" in the specification did not meet either of these exceptions.

"The patentee is free to choose a broad term and expect to obtain the full scope of its plain and ordinary meaning unless the patentee explicitly redefines the term or disavows its full scope." Slip op. at 7.

Proceeding under these guidelines, the Court first considered the term "attached to said pad." Thorner argued that "attached" should be given its plain and ordinary meaning and that an actuator can be attached to both the interior and the exterior of an object. Thorner pointed to language in the specification that "a vibratory actuator can be attached to [the] outer side of the throttle handle," arguing that this statement showed the applicant used deliberate, express language when distinguishing an internal from an external attachment. *Id.* at 8 (alteration in original) (citation omitted). Sony responded

that because the specification used the term “attached” only when referring to an actuator affixed to the outer surface and the term “embedded” only when referring to an actuator placed within a housing, the term “attached” was limited to affixation to the exterior surface of the pad.

The Federal Circuit agreed with Thorner, holding that the plain meaning of the term “attached” encompassed either an external or an internal attachment. That the specification never used the word “attached” when referring to an actuator located on the interior of a controller did “not rise to the level of either lexicography or disavowal.” *Id.* at 9. Nor did the specification’s use of the terms “attached” and “embedded” as alternatives require a different result. The Court held that the use of two terms as alternatives may only amount to an implicit redefinition of the terms if the implied redefinition is “so clear that it equates to an explicit one.” *Id.* at 10. Thus, the Court found that simply referring to two terms as alternatives or disclosing embodiments that all use the term the same way is not sufficient to redefine a claim term.

The Court also noted that other parts of the claims and specification supported its construction. If the Court were to construe the term “attached” to mean only “attached to an outer surface,” it would have been unnecessary for the specification to include the language “attached to [an] outer surface.” *Id.* at 9 (alteration in original) (citation omitted). Moreover, because the only embodiment in the specification that included a flexible material recited actuators “embedded” within the foam structure, such construction would exclude the only flexible embodiment disclosed in the specification.

The Federal Circuit next considered the term “flexible pad.” The Court first disagreed with Sony that it was precluded from deciding claim construction issues that were not implicated by the district court’s judgment. Because the term “flexible” was fully briefed, argued, and decided below, as well as fully briefed and argued on appeal, the Court found that it would waste judicial resources to refuse to decide the issue on appeal.

Thorner argued that the term “flexible” meant “capable of being flexed” and not “capable of being noticeably flexed with ease.” Thorner pointed out that the specification only used the term “flexible pad” when referring to a “semi-rigid” structure, arguing that a “semi-rigid” structure would not be “noticeably flexed with ease.” Sony responded that although the specification used the term to refer to a “semi-rigid structure,” the structure was made out of foam in every embodiment, and that a rigid, barely bendable material should not be considered “flexible.” Sony also pointed to the district court judge’s observation that one of the accused plastic controllers was rigid and would “snap” if he tried to flex it.

The Federal Circuit agreed with Thorner that the district court improperly limited the claim term. The specification only required that the “flexible pad” be a “semi-rigid” structure, and neither the claims nor the specification required the “flexible pad” to be “noticeably flexed with ease.” The Court also noted that the task of determining the degree of rigidity that amounts to “semi-rigid” was part of the infringement analysis and not part of claim construction.

Accordingly, having vacated the district court’s construction of the two claim terms, the Court remanded the case for further proceedings.

**Cora R. Holt is a Law Clerk at Finnegan.*

The logo for the law firm Finnegan, consisting of the word "FINNEGAN" in a bold, green, sans-serif font.

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To Overcome § 135(b)(1) Precritical Date, Claims Need to Be Compared to Postcritical Date Claims, Not Copied Patent Claims

Matthew R. Van Eman

Judges: Rader, Linn (author), Moore

[Appealed from Board]

In *Adair v. Carter*, No. 11-1212 (Fed. Cir. Feb. 7, 2012), the Federal Circuit affirmed the Board's determination that appellants' (collectively "Adair") single claim involved in an interference with Paul J. Carter and Leonard G. Presta (collectively "Carter") was barred under 35 U.S.C. § 135(b)(1).

Adair filed U.S. Application No. 11/284,261 ("the '261 application"), along with a request for interference based on Carter's U.S. Patent No. 6,407,213 ("the '213 patent"). Adair filed the '261 application more than one year after issuance of the '213 patent, but relied on earlier-filed claims from a corresponding PCT application and U.S. national stage application in an attempt to overcome the one-year bar under 35 U.S.C. § 135(b)(1), which states:

A claim which is the same as, or for the same or substantially the same subject matter as, a claim of an issued patent may not be made in any application unless such a claim is made prior to one year from the date on which the patent was granted.

Although the Board declared an interference and awarded Adair priority benefit to his PCT application and an earlier British patent application, the Board determined that Adair's claim was barred under § 135 (b)(1) because (1) the earlier-filed PCT claims were not patentable to Adair; (2) Adair added limitations to the PCT claims during prosecution in the national stage to overcome rejections under 35 U.S.C. §§ 101, 102(b), 103, and 112; and (3) material differences presumptively existed between the precritical date claims (i.e., claims presented prior to one year from the date on which the patented claims issued) and postcritical date claim (i.e., Adair's claim presented more than one year from the date on which Carter's patented claims issued), and Adair failed to rebut the presumption. On rehearing, the Board rejected Adair's assertion that materiality must be determined in view of the claims being copied and declined to compare Adair's post- or precritical date claims with the claim copied from Carter's '213 patent. Adair appealed.

On appeal, Adair argued that the Board erred by failing to assess material differences "in view of the patent claim being copied" from Carter's '213 patent. Adair argued that the materiality test requires an assessment of material limitations based on the identity between the postcritical date claim and the copied claim (i.e., the "count"), and not just the postcritical date claim standing alone. Carter countered that the question of whether there is a sufficient degree of identity between pre- and postcritical date claims for compliance with § 135(b) is a separate and distinct inquiry from any comparison with the patent claims copied. Thus, according to Carter, the Board correctly held that establishing support for postcritical date claims does not entail looking at material limitations of the patented claims.

“[T]his court holds that to overcome a § 135(b) bar for a post-critical date claim, an applicant must show that such claim is not materially different from a pre-critical date claim present in the application or any predecessor thereto in order to obtain the benefit of the earlier filing date.” Slip op. at 10.

The Federal Circuit noted that, although a § 135(b)(1) provides a seemingly strict bar to claims more than one year from the critical date, a limited exception exists where the copier had already been claiming substantially the same invention as the patentee prior to the critical date. The Court explained this limited exception, citing *Corbett v. Chisholm*, 568 F.2d 759, 765 (C.C.P.A. 1977); *In re Berger*, 279 F.3d 975, 980 (Fed. Cir. 2002); and *Regents of the University of California v. University of Iowa Research Foundation*, 455 F.3d 1371, 1377 (Fed. Cir. 2006).

In *Corbett*, the Board rejected postcritical date claims under § 135(b)(2) where the postcritical date claims corresponded exactly with the issued patented claims. On appeal, the Federal Circuit affirmed the Board after comparing the “copied claim” with the precritical date claims and finding material differences. Although the Court identified certain limitations of Chisholm’s patent claim as “material,” the Court was simply noting that material differences existed between that claim as copied by Corbett after the critical date and those precritical date claims Corbett was relying on. The Federal Circuit explained that *Corbett* did not establish a threshold assessment of which limitations of the patented claims were material before determining whether or not material differences existed between the pre- and postcritical date claims. In making the comparison in that case, the Court referenced the patent claim only because that was the postcritical date claim.

Similarly, in *Berger*, the postcritical date claim was copied directly from and was identical to the issued patent claim. The Federal Circuit affirmed the Board’s rejection of the copied claim under § 135(b)(1) based on material differences between the pre- and postcritical date claims, and only referred to the issued patent claim because the postcritical date claim was a direct copy of it.

Finally, the Court explained that in *Regents* it expressly approved an analysis based solely on a comparison of pre- and postcritical date claims in order to determine if postcritical date claims could rely on the date of the earlier-filed claims to overcome a § 135(b)(1) rejection. The Federal Circuit held that “the relationship between the post- and precritical date claims . . . is . . . dispositive of the section 135(b)(1) question.” Slip op. at 9 (quoting *Regents*, 455 F.3d at 1374). As explained in *Regents*, “[t]he question of material differences between post- and pre-critical date claims for purposes of overcoming a § 135(b) bar ‘is a distinctly different question from whether claims . . . are directed to the same or substantially the same submit matter’ for purposes of provoking an interference.” *Id.* (quoting *Berger*, 279 F.3d at 982).

In this case, the Board found material differences between the pre- and postcritical date claims, noting that Adair added several limitations during prosecution to avoid rejections, and Adair failed to rebut the Board’s findings of materiality. Furthermore, the Court explained that, contrary to Adair’s assertion, in the context of § 135(b)(1), the presumption of *Festo Corp. v. Shoketsu Kinzoku Kogyo Kabushiki Co.*, 535 U.S. 722, 734 (2002), applies such that limitations added to overcome a rejection and secure allowance are presumed material.

The Federal Circuit also rejected Adair’s argument that the Board erred by establishing an absolute requirement that precritical date claims be patentable in order for the applicant to rely on those claims to avoid the § 135(b)(1) bar. The Court stated that the Board did not establish any absolute requirement, but if it did, the error in this case would have been harmless because the Board found material differences between the pre- and postcritical date claims. And lastly, the Court agreed that the Board did not abuse its discretion by refusing to consider other precritical date claims on rehearing because Adair did not address those claims prior to the petition for rehearing.

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Means-Plus-Function Element Limited to Single Disclosed Structure and Equivalents Thereof

Carlos M. Tellez

Judges: Bryson, Moore (author), Reyna

[Appealed from E.D. Tex., Magistrate Judge Giblin]

In *Mettler-Toledo, Inc. v. B-Tek Scales, LLC*, Nos. 11-1173, -1200 (Fed. Cir. Feb. 8, 2012), the Federal Circuit affirmed the district court's denial of JMOL after jury verdicts that one of the two patents-in-suit was not infringed and that the other patent-in-suit was not infringed and was invalid. The Court also affirmed the district court's denial of sanctions against Mettler-Toledo, Inc. ("Mettler") for allegedly withholding and destroying relevant documents.

Mettler owns U.S. Patent Nos. 4,815,547 ("the '547 patent") and 4,804,052 ("the '052 patent"), which are directed to technology used to weigh objects such as large commercial trucks. The '547 patent describes an individual load cell that is one of several cells used in a scale. The cell produces an electrical signal when deformed, for example, by an object to be weighed. The '052 patent is directed to a system and method for weighing objects on a scale, which includes a correction based on the location of the object on the scale. That system of the '052 patent ensures that the measured weight is the same regardless of where on the scale the object is placed.

After Mettler sued B-Tek Scales, LLC ("B-Tek") for infringing certain claims of the '547 and '052 patents, a jury found that B-Tek did not infringe any of the asserted claims. The jury also determined that the asserted claims of the '052 patent would have been obvious. Mettler moved for JMOL on both the infringement and invalidity issues, which the district court denied. B-Tek moved for sanctions after trial, alleging that Mettler had concealed certain documents, and the district court denied B-Tek's motion. Mettler appealed the district court's denial of its motion for JMOL for both patents. B-Tek cross-appealed the denial of sanctions.

On appeal, the Federal Circuit applied Fifth Circuit law in reviewing the denials of JMOL. In the Fifth Circuit, JMOL is appropriate if the facts and inferences point so strongly and overwhelmingly in favor of one party that a reasonable jury could not have concluded otherwise. First considering denial of Mettler's motion for JMOL with regard to the '547 patent, the Court found claim 1 of the '547 patent illustrative of the asserted claims. Claim 1 is directed to a weighing apparatus comprising a counterforce and various means-plus-function elements associated with an electronic circuit. The circuit, as described in the '547 patent, includes an analog-to-digital ("A/D") converter to convert an analog signal related to the object's weight into a digital signal used by a microprocessor. The preferred embodiment in the '547 patent identifies a "multiple slope integrating A/D converter" as the A/D converter. In the accused products, which the jury determined did not infringe either literally or under the DOE, the A/D converter was a delta-sigma A/D converter.

“If a patentee chooses to disclose a single embodiment, then any means-plus-function claim limitation will be limited to the single disclosed structure and equivalents thereof.” Slip op. at 7.

Mettler limited its arguments regarding the '547 patent to a single claim construction issue: whether the district court properly construed three means-plus-function terms to require a “multiple slope integrating A/D converter” for each of them rather than any generic A/D converter. The means-plus-function terms in dispute were “circuit means associated with said counterforce,” “means for producing digital representations of loads applied to said counterforce,” and “means for transmitting said digital representations.” The district court ruled that the appropriate structure for the disputed means-plus-function claim elements is the multiple slope integrating A/D converter and equivalents thereof. Mettler argued that a generic A/D converter was the proper structure for the terms in dispute because (1) generic A/D converters were well known in the art and the district court erred by importing features of the preferred embodiment or best mode into the claims; (2) Figure 5 of the '547 patent illustrates an “Analog to Digital Converter 100,” showing that the specification discloses generic A/D converters in addition to the preferred multiple slope integrating A/D converter; (3) the Abstract mentions generic A/D converters; and (4) the '547 and '052 patents have similar specifications, yet the district court applied a different claim construction to the '052 patent, ruling that a generic A/D converter was indeed included in the claim terms of the '052 patent.

The Federal Circuit rejected Mettler's arguments and agreed with the district court's construction. According to the Federal Circuit, a means-plus-function claim limitation is limited to the structures disclosed in the specification and equivalents thereof, and “[s]tructure disclosed in the specification is ‘corresponding’ structure [for a means-plus-function term] only if the specification or prosecution history clearly links or associates that structure to the function recited in the claim.” Slip op. at 7 (quoting *B. Braun Med. Inc. v. Abbott Labs.*, 124 F.3d 1419, 1424 (Fed. Cir. 1997)). The Federal Circuit cautioned that “[i]f a patentee chooses to disclose a single embodiment, then any means-plus-function claim limitation will be limited to the single disclosed structure and equivalents thereof.” *Id.* (citing *Nomos Corp. v. Brainlab U.S.A., Inc.*, 357 F.3d 1364, 1368 (Fed. Cir. 2004)).

The Court found that, in every instance where the specification of the '547 patent referred to an “A/D converter,” it was referring to the preferred embodiment, which included only the multiple slope integrating A/D converter. Although the Court recognized that generic A/D converters were known in the art, it noted that the patentee chose to use means-plus-function language, which limited the terms to the disclosed embodiments and their equivalents. The Court further found that the single statement in the Abstract did not link that disclosure to any claimed function, as required by *B. Braun Medical*. Finally, the Court explained that the '052 patent mentions a generic A/D converter and links it to the claimed function, but that, in contrast, the '547 patent does not include that language and is therefore limited to the only A/D converter it discloses—the multiple slope integrating A/D converter. For these reasons, the Federal Circuit affirmed the district court's denial of JMOL of infringement with regard to the '547 patent.

Concerning the '052 patent, Mettler argued that JMOL should have been granted because the cited prior art reference, GB 1,462,808 (“Avery”), did not teach correcting for load position, which was a limitation of each asserted claim. The Federal Circuit disagreed, finding substantial evidence to support the jury determination that Avery taught correcting for load position. According to the Federal Circuit, Avery disclosed a system that corrected for an “unevenly loaded” scale, which was sufficient for a jury to find that Avery disclosed correcting for a load position. Further, B-Tek's expert testified that Avery disclosed that feature, providing more evidence on which the jury could have relied. The Federal Circuit also disagreed with Mettler that Avery taught away from correcting for an unevenly loaded scale. According to Mettler, Avery discloses that “because the transducer signals are corrected or adjusted individually . . . the combined output need not be corrected to compensate for uneven loading.” Slip op. at 10 (citation omitted). Finally, Mettler argued that Avery failed to teach moving a weight around the scale to calibrate the system. The Federal Circuit dismissed that argument, noting that the claims did not require moving a weight around the scale. Accordingly, the Federal Circuit affirmed the district court's denial of JMOL

on the nonobviousness of the '052 patent.

The Federal Circuit next considered the denial of B-Tek's motion for sanctions. The Court found that, in order to develop its case rebutting lost profits damages, B-Tek requested documents related to Mettler's manufacturing capacity and Mettler stated that it had no such documents. During trial, however, a Mettler employee admitted that a production schedule and a plant diagram existed, and that some of those documents had been destroyed.

Applying the Fifth Circuit's standard for the denial of sanctions—abuse of discretion—the Federal Circuit concluded that the district court had correctly considered the relevance of the documents and any harm to B-Tek due to the withholding. The district court, for example, found that Mettler did not hide the documents because Mettler's representative, in a deposition, spoke about manufacturing capability and mentioned the production schedule. The district court also found that the documents were not particularly relevant to manufacturing capacity. Additionally, the district court noted that B-Tek could not show harm or prejudice because B-Tek ultimately prevailed on the issue of infringement and did not have to rely on its damages case. Accordingly, the Federal Circuit found no abuse of discretion and affirmed the denial of sanctions.

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Federal Circuit Rejects Constitutional Challenge to ITC's Authority to Levy and Enforce Civil Penalty

Marian T. Flattery

Judges: Newman (author), Schall, Linn

[Appealed from ITC]

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 China") and its wholly owned U.S. subsidiaries, Ninestar Technology Company, Ltd. ("Ninestar U.S.") and Town Sky, Inc. ("Town Sky") (collectively "Ninestar"), for failure to comply with exclusion and cease-and-desist orders arising from violation of Section 337 of the Tariff Act, 19 U.S.C. § 1337. In so doing, the Court rejected not only Ninestar's argument that manufacture and sale of a product in a foreign country extinguishes the right to enforce a U.S. patent against importation and sale of that product, but also its contention that the ITC does not have constitutional authority to levy and enforce the civil penalty of Section 337(f).

Ninestar China produced ink printer cartridges in China, which were imported into and sold in the United States by various entities, including Ninestar U.S. and Town Sky. In an action under Section 337, the ITC ruled that the ink printer cartridges infringed a number of U.S. patents and issued a general exclusion order, limited exclusion orders, and cease-and-desist orders. After issuance of the ITC's exclusion and cease-and-desist orders, Ninestar U.S. and Town Sky continued to import into the United States and sell ink printer cartridges that were the subject of the orders.

In a formal ITC enforcement proceeding, the ALJ determined that Ninestar had deliberately and in bad faith violated the exclusion and cease-and-desist orders, and recommended a civil penalty of \$20,504,974 for the violation. The ITC adopted the findings and conclusions of the ALJ, describing the violations as "egregious," but levied a reduced penalty of \$11,110,000.

Ninestar appealed to the Federal Circuit, arguing that the ITC incorrectly found infringement by the Ninestar products, that the authority exercised by the ITC to exclude the products and to enforce its orders is in violation of the constitutional principles of separation of powers, and that the proceedings violated Ninestar's constitutional rights to notice, clarity, and a jury trial. Ninestar also objected to the inclusion of Ninestar China as jointly and severally liable for the penalty with the Ninestar U.S. subsidiaries.

The Federal Circuit first addressed Ninestar's argument that the 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. The Court rejected this argument, stating that "United States patent rights are not exhausted by products of foreign provenance. To invoke the protection of the first sale doctrine, the authorized first sale must have occurred under the United States patent." Slip op. at 7

(quoting *Jazz Photo Corp. v. U.S. Int'l Trade Comm'n*, 264 F.3d 1094, 1105 (Fed. Cir. 2001)). The Court disagreed with Ninestar's position that *Jazz Photo* and the precedent on which it relied were incorrectly decided and had been overruled. The Court determined that the ITC's ruling that its orders were violated with knowledge and in bad faith was supported by substantial evidence and was in accordance with law, and affirmed.

“We discern no violation of constitutional structure in the [ITC]’s authority to levy a civil penalty, and no violation of constitutional protections in the procedures followed and the penalty assessed.” Slip op. at 20.

Next, the Federal Circuit found that no abuse of discretion had been shown in the imposition of a penalty by the ITC or the amount of the penalty. The Court rejected Ninestar's contention that there should be no penalty in view of Ninestar's good-faith belief that the ITC's orders were based on incorrect law. In so doing, the Court referenced the ITC findings that Ninestar continued the importation and sales of the infringing ink printer cartridges with knowledge that the products were the subject of exclusion and cease-and-desist orders, that Ninestar deliberately evaded the ITC's orders, and that the record was replete with evidence of bad faith. After reviewing the ITC's bases for the amount of the levied penalty and the intended deterrent effect of the statutory penalty, the Court found that the ITC's penalty was within the ITC's authority and in accordance with the legislative purpose.

The Court then affirmed the ITC's assessment of joint and several liability of the three Ninestar entities. Unpersuaded by Ninestar's arguments as to why the penalty could not be assessed against Ninestar China, the Court determined that joint and several liability was commensurate with the evidence of control, commercial relationships, monetary flow, and knowing violation of the ITC's orders.

Finally, the Federal Circuit addressed Ninestar's constitutional challenge to the ITC's authority to levy and enforce the civil penalty of Section 337(f). Ninestar characterized the ITC statute as “an unconstitutional monstrosity” and urged that the Court “should strike down the ability of the ITC to impose financial punishments on those who violate their orders.” *Id.* at 17.

The Court determined that Section 337 proceedings are integral to the control of unfair competition in trade, and the provision of a civil penalty is within regulatory authority and is appropriately assigned to the ITC. Notwithstanding Ninestar's exhortations that the statutory penalty is of such magnitude as to be criminal in nature and requiring trial in an Article III court, the Court found insufficient proof to override legislative intent and transform the denominated civil remedy of Section 337 into a criminal penalty.

Accordingly, the Federal Circuit affirmed the ITC's order assessing a civil penalty against Ninestar for violation of the exclusion and cease-and-desist orders, and holding all three Ninestar companies jointly and severally liable for payment of the \$11,110,000 penalty.

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ANDA Seeking to Market a Drug for Unpatented Uses Cannot Infringe Method of Use Patents Under 35 U.S.C. § 271(e)(2)

Angela Y. Dai

Judges: Rader, Lourie (author), Moore
[Appealed from D. Del., Judge Kugler]

In *AstraZeneca Pharmaceuticals LP v. Apotex Corp.*, Nos. 11-1182, -1183, -1184, -1185, -1186, -1187, -1188, -1189, -1190 (Fed. Cir. Feb. 9, 2012), the Federal Circuit affirmed the district court's dismissal of AstraZeneca Pharmaceuticals LP, AstraZeneca AB, IPR Pharmaceuticals, Inc., and The Brigham and Women's Hospital, Inc.'s (collectively "AstraZeneca") 35 U.S.C. § 271(e)(2) patent infringement claims for infringement of two method of use patents.

AstraZeneca markets a cholesterol-lowering drug, rosuvastatin calcium, under the brand name CRESTOR® and holds rights to two method patents, U.S. Patent Nos. 6,858,618 ("the '618 patent") and 7,030,152 ("the '152 patent"), which are at issue in this appeal, and a compound patent which was the subject of a separate ANDA litigation and appeal. Collectively, the two patents-at-issue claim methods of using rosuvastatin compounds to treat heterozygous familial hypercholesterolemia ("HeFH") and to lower the cardiovascular disease risk for individuals with elevated circulating C-reactive protein ("CRP"). Each patent is listed in the FDA's Orange Book and covers an approved indication for use of CRESTOR®.

In addition to the two treatment indications claimed in the patents-at-issue, rosuvastatin calcium is also approved for uses not claimed by either of these patents, including the treatment of patients with homozygous familial hypercholesterolemia ("HoFH") or hypertriglyceridemia. The defendant generic pharmaceutical companies (collectively "the generic manufacturers") filed ANDAs seeking to market generic rosuvastatin calcium for treating HoFH and hypertriglyceridemia while carving out the patented indications directed toward HeFH and elevated CRP. To do so, the generic manufacturers filed statements under 21 U.S.C. § 355(j)(2)(A)(viii) ("Section viii statement") averring that their ANDAs excluded all uses claimed in the '618 and '152 patents.

In prior litigation, AstraZeneca sued several generic manufacturers for infringement of its compound patent, which the district court found valid, enforceable, and infringed, conferring exclusivity until 2016. Those determinations are the subject of a separate appeal. While that litigation was pending, AstraZeneca brought suit for infringement of its method of use patents, asserting that the ANDA filings infringed and would cause infringement of the method of use patents under § 271(e)(2). AstraZeneca alleged that (1) the ANDAs violated § 271(e)(2) as applications for a drug, the use of which is claimed in the '618 and '152 patents; (2) if approved by the FDA, the generic manufacturers' proposed activities will induce infringement of the '618 and '152 patents; and (3) the FDA will require labeling amendments explicitly incorporating the indications covered by the '618 and '152 patents. The district court dismissed

AstraZeneca's infringement claims for lack of subject matter jurisdiction, finding that AstraZeneca had not presented a valid § 271(e)(2) claim based on the ANDA filings. The district court also held that AstraZeneca's claims were unripe to the extent they relied on presumptive future labeling amendments. AstraZeneca appealed.

On appeal, the Federal Circuit first addressed the issue of subject matter jurisdiction. The Court rejected the district court's determination that subject matter jurisdiction did not exist, explaining that, under 28 U.S.C. § 1338(a), the district courts have original jurisdiction over any civil action arising under any Act of Congress relating to patents. And by enacting § 271(e)(2), Congress established a specialized new cause of action for patent infringement. The Court explained: "When patentees pursue this route, their claims necessarily arise under an Act of Congress relating to patents." Slip op. at 13. Thus, "the requirements for jurisdiction in the district courts are met once a patent owner alleges that another's filing of an ANDA infringes its patent under § 271(e)(2), and this threshold jurisdictional determination does not depend on the ultimate merits of the claims." *Id.* Accordingly, AstraZeneca met the requirements for subject matter jurisdiction under § 1338(a) when it alleged that the ANDA filings infringed its listed patents under § 271(e)(2).

“[A] patented method of using a drug can only be infringed under § 271(e)(2) by filing an ANDA that seeks approval to market the drug for that use.”
Slip op. at 17.

The Federal Circuit, however, agreed with the district court's underlying determination that AstraZeneca failed to state a viable claim for relief under § 271(e)(2). The Court first rejected AstraZeneca's interpretation of § 271(e)(2), finding that infringement of method claims under § 271(e)(2) requires filing an ANDA wherein at least one use listed in the ANDA is claimed in a patent. "Thus, an ANDA seeking to market a drug not covered by a composition patent for unpatented methods of treatment cannot infringe under § 271(e)(2)." *Id.* at 17.

Second, the Court also disagreed with AstraZeneca's attempt to distinguish *Warner-Lambert Co. v. Apotex Corp.*, 316 F.3d 1348 (Fed. Cir. 2003), as involving a patent that claimed an unapproved or "off-label" use for which no generic could be approved through the ANDA process. The Federal Circuit found the distinction between patents claiming unapproved and approved uses irrelevant for purposes of § 271(e)(2), explaining that when considering allegations that an ANDA filing infringes a patented method, § 271(e)(2) directs the analysis to the scope of approval sought in the ANDA. The Court noted that the Hatch-Waxman Act allows generic manufacturers to limit the scope of regulatory approval they seek, and thereby forego Paragraph IV certification and a § 271(e)(2) infringement suit by excluding patented indications from their ANDAs with a Section viii statement. The Court held that is what occurred here.

The Federal Circuit was not convinced by AstraZeneca's practical argument that pharmacists and doctors can substitute the generic product for all indications once the product becomes available regardless of the uses expressly sought in an ANDA. The Court stated that finding infringement under § 271(e)(2) based on such speculative prescribing practices would, in practice, vitiate § 355(j)(2)(A)(viii) by enabling § 271(e)(2) infringement claims despite a Section viii statement and corresponding proposed labeling that explicitly and undisputedly carves out all patented indications for a particular product. Moreover, the Court expressed concern that a pioneer drug manufacturer could maintain de facto indefinite exclusivity over a pharmaceutical compound by obtaining serial patents for approved methods of using the compound and then wielding § 271(e)(2) as a sword against any competitor's ANDA seeking approval to market an off-patent drug for an approved use not covered by the patent.

Finally, the Federal Circuit found that AstraZeneca's allegation that the FDA would require future labeling amendments to include all FDA-approved indications for rosuvastatin calcium were insufficiently ripe for adjudication to the extent they relied on prospective labeling amendments. Here, the ANDAs affirmatively carved out the patented indications, were limited to unpatented methods for using rosuvastatin calcium, and the Court stated that nothing in the record indicated that the FDA required or

would require the labeling amendments asserted by AstraZeneca.

Accordingly, the Federal Circuit affirmed the district court's dismissal of AstraZeneca's complaint despite the existence of subject matter jurisdiction.

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Federal Circuit Draws the “Final Curtain” on a Long Saga, Affirming the District Court’s Decision That the Patent-in-Suit Is Not Invalid and Is Willfully Infringed

Jeremy P. Bond

Judges: Newman (dissenting), 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. Feb. 10, 2012), the Federal Circuit affirmed the district court’s findings that U.S. Patent No. 6,436,135 (“the ‘135 patent”) was willfully infringed and not invalid for improper inventorship, anticipation, obviousness, or lack of written description. The Court also affirmed the district court’s award of enhanced damages, attorneys’ fees and costs, and an ongoing royalty in favor of Bard Peripheral Vascular, Inc. and David Goldfarb (collectively “Bard”).

The technology at issue involves prosthetic grafts used to bypass or replace blood vessels. The grafts are made from highly expanded polytetrafluoroethylene (“ePTFE”), which W.L. Gore & Associates, Inc. (“Gore”) sells under the brand name “Gore-Tex.” Peter Cooper was the Plant Manager of Gore’s Arizona facility and primarily was involved in making ePTFE tubes. Cooper provided the tubes to various researchers, who evaluated their suitability as vascular grafts. One researcher was David Goldfarb, a surgeon at the Arizona Heart Institute (“AHI”). Goldfarb experimented with twenty-one grafts supplied by Cooper, one of which was determined to be a successful implant in a dog.

In April 1974, Cooper filed a U.S. patent application claiming the use of ePTFE as a vascular graft. In October 1974, Goldfarb also filed a U.S. patent application claiming the use of ePTFE as a vascular graft. There followed an eighteen-year interference (“Interference”) and two appeals to the Federal Circuit, *Cooper v. Goldfarb* (“*Cooper I*”), 154 F.3d 1321 (Fed. Cir. 1998), and *Cooper v. Goldfarb* (“*Cooper II*”), 240 F.3d 1378 (Fed. Cir. 2001). Ultimately, Goldfarb was awarded priority of invention because Goldfarb established that he had reduced the invention to practice before Cooper. *Cooper I*, 154 F.3d at 1326-27. The Court in *Cooper II* explained that Cooper conceived the invention, but only after sending to Goldfarb tubes which Goldfarb used to conceive the invention and reduce it to practice.

The ‘135 patent issued with claims to a vascular prosthesis comprising ePTFE “having a microstructure consisting of nodes interconnected by fibrils which permits *tissue ingrowth*, wherein an average *distance between nodes* is not less than about 6 microns.” Slip op. at 4-5. Bard filed suit against Gore for infringement of the ‘135 patent. A jury found the ‘135 patent valid and willfully infringed by Gore, awarded Bard lost profits of \$102 million, royalties of \$83 million, and set a reasonable royalty rate of 10%. The district court awarded enhanced damages, doubling the award to \$371 million and awarded Bard \$19 million in attorneys’ fees and costs. The district court also awarded an ongoing royalty with rates from 12.5% to 20% for Gore’s various types of infringing products. Gore timely appealed, contending that the jury’s verdict on the inventorship, anticipation, obviousness, written description, and

willful infringement issues was not supported by substantial evidence and the district court abused its discretion in awarding enhanced damages, attorneys' fees and costs, and ongoing royalties.

The Court first addressed Gore's argument that Cooper's contributions to the conception of the invention were significant to make him a joint inventor. The Court disagreed with Gore's inventorship argument because substantial evidence was presented that Cooper did not communicate to Goldfarb that the internodal distance was the key to creating successful grafts. As noted in *Cooper I*, during Goldfarb's testing of the ePTFE material, Cooper was focusing on the porosity of the material and not its fibril length. Cooper also admitted that, even after he conceived the importance of fibril length, he did not convey that information to Goldfarb. The Federal Circuit found that "[t]his lack of communication and utter lack of understanding of what would make a successful graft is substantial evidence in support of the jury's verdict implicitly finding that Cooper's contribution was insignificant." *Id.* at 14. The Court also noted that Gore attempted to recast its inurement argument in the Interference to one of joint inventorship in the present case. But Gore's argument remained unchanged and the Court found no evidence that Cooper either recognized or appreciated the critical nature of the intermodal distance and communicated that key requirement to Goldfarb before Goldfarb reduced the invention to practice. Thus, the Court held that the district court did not err in denying Gore's motion for JMOL on the inventorship issue.

“Contrary to the dissent, we are not free to ignore the long history of this case and the[] prior determinations. We cannot revisit the facts anew, nor meander through the record and select facts like our favorite jelly beans, nor characterize the facts as the Bard would in a Shakespearean tragedy.”
Slip op. at 3 n.1.

As for the dissent's opinion on inventorship, the Court noted that the dissent appeared to reach its opposite conclusion by ignoring the applicable standard of review and giving insufficient weight to the jury's verdict. Because Cooper did little more than share with Goldfarb what was already well known, the Court held that the jury had substantial evidence to find that Cooper's contribution was not significant enough to make him a joint inventor.

Next, the Court addressed the jury's finding that the '135 patent claims were not anticipated by a prior art article by H. Matsumoto et al. ("Matsumoto"), describing ePTFE vascular grafts. Bard's technical expert testified that Matsumoto did not provide enough information for a doctor to re-create a working vascular graft. Bard also presented evidence that others were unable to replicate Matsumoto's work. This was substantial evidence for the jury to find that Matsumoto does not enable a person of ordinary skill in the art to make the invention without undue experimentation and therefore cannot be used as an anticipatory reference to invalidate the '135 patent. The Court also noted that Matsumoto does not refer to the internodal distance recited by the asserted claims, and that the PTO considered Matsumoto and did not find that it anticipated the '135 patent. Accordingly, the Court found that a reasonable jury could find that Gore failed to show by clear and convincing evidence that Matsumoto anticipated the claimed invention and held that the district court did not err in denying Gore's motion for JMOL on anticipation.

Regarding obviousness, the Court considered Matsumoto and an article by J. Volder et al. ("Volder"). While Volder discussed the "extremely promising characteristics" of PTFE, Volder believed that "increasing the average pore size" would accelerate tissue infiltration, capillary development, and healing time.

The Court reviewed the district court's "exhaustive findings" regarding Volder and Matsumoto. *Id.* at 26-28. According to the Court, these findings demonstrate the substantial evidence presented at trial regarding the scope and contents of Volder and Matsumoto, their differences from the claimed invention, and the objective indicia of nonobviousness. Moreover, the Court noted that neither Volder nor Matsumoto disclosed the importance of the internodal distance. The Court thus found clear support for the jury's obviousness verdict and held that the district court did not err in denying Gore's motion for JMOL on obviousness.

The Court then determined if the written description of the '135 patent supports certain claims that are not limited to a prosthesis with a wall thickness of 0.2 to 0.8 mm. The district court found that substantial evidence demonstrated that wall thickness is not an essential element of the invention and denied Gore's motion for JMOL for lack of written description. The Federal Circuit agreed, noting that the language of the '135 patent does not mandate a wall thickness within the stated range for the claimed invention. And the record of the Interference and Goldfarb's testimony further demonstrate that the wall thickness is dependent on the application of the graft. Accordingly, the Court found that substantial evidence supported the jury's finding that certain claims of the '135 patent are not invalid for lack of written description, and the district court did not err in denying Gore's motion for JMOL on the issue.

Regarding willful infringement, the Court determined that Bard presented substantial evidence to support the jury's finding that Gore's infringement was willful. Based on the eighteen-year interference, Gore was aware of both the '135 patent and Goldfarb's research at AHI. In addition, Gore relied on Matsumoto and Volder to support its invalidity defenses, even though those references were previously considered and rejected as not invalidating by the PTO. Further, the district court found that Gore's obviousness argument was not meritorious and "not a close call." *Id.* at 33. Based on this evidence alone, the Court stated it would have been reasonable for the jury to find that Gore manufactured and sold grafts despite an objectively high likelihood the grafts infringed the valid '135 patent.

Bard also presented substantial evidence that Gore's opinion of counsel was not based on an objective perspective. In addition to the opinion's reliance on Matsumoto and Volder, which were already rejected by the PTO, the bases of alleged invalidity asserted in the opinion were "directly contrary to the validity arguments [Gore] presented to the PTO when attempting to patent Dr. Goldfarb's invention." *Id.* at 34 (alteration in original) (citation omitted). Accordingly, the Federal Circuit found that the district court did not err in denying Gore's motion for JMOL on willfulness.

The Court also found that the district court did not abuse its discretion in awarding enhanced damages to Bard. In addition to the jury's finding of willfulness, the district court conducted a detailed and exhaustive review of all nine *Read* factors to ascertain whether Gore acted in bad faith to merit an increase of the jury's damages award. The district court found that all of the factors, except whether Gore attempted to conceal its misconduct, weighed in favor of enhanced damages. Three of those eight favorable factors, however, were only slightly in favor of enhancement. Thus, the district court exercised its discretion by only doubling the jury's damages award, and not tripling as it had the authority to do.

In addition, the Court affirmed the district court's finding that there was sufficient basis for deeming this case exceptional. The Court noted the jury's verdict of willfulness, the evidence supporting willfulness, and the extensive litigation history between the parties that Gore repeatedly lost yet continued to infringe. Because Gore also argued contradictory positions on infringement throughout the litigation and relied on testimony that was not credible, the district court did not abuse its discretion in awarding Bard attorneys' fees and costs.

The Court then examined the district court's award of an ongoing royalty instead of a permanent injunction, citing reasons of public interest. The district court assessed reasonable royalties based on the parties' proposed royalty rates, the types of products made by Gore and Bard, and the markets in which they compete. The Court found that taking economic market forces into account was a reasonable and valid assumption by the district court.

In setting the ongoing royalty rate, the district court noted that Bard and Gore compete directly with respect to surgical grafts, Gore profits highly from its infringing products, Gore potentially faces stiffer losses that include a permanent injunction if Bard prevails in a second lawsuit, and Bard seeks adequate compensation and lacks incentive to accept a below-market deal. Based on this reasoning, the Court held that the district court did not abuse its discretion in setting a 12.5% to 20% royalty rate for the ongoing royalty on Gore's infringing grafts.

In a lengthy dissenting opinion, Judge Newman disagreed with the majority's decision, finding the infringement trial was "fraught with errors of law, misstatements of fact, and confessed perjury."

Newman Dissent at 11. Judge Newman reviewed the evidence at trial and noted Gore's extensive experience testing ePTFE and various documents detailing successful results of these tests before Goldfarb's involvement. According to Judge Newman, as a matter of law, Dr. Goldfarb cannot deprive Gore of the invention Gore possessed and that was known to Gore and published by others before Goldfarb entered the scene. Moreover, Judge Newman stated that the law has been clear that a person who tests a product provided by another, for the purpose designated by the provider, cannot acquire the exclusive right to that product for that use, to the exclusion of the inventor of the use. Thus, Judge Newman believed that a new trial was required, stating that she dissented from "the panel majority's ratification of this insult to judicial process." *Id.* at 21.

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Broad Range in Prior Art Anticipates Narrow Range in Claims

*Lillian M. Robinson**

Judges: Prost, Schall, Moore (author)

[Appealed from E.D. Tex., Judge Davis]

In *ClearValue, Inc. v. Pearl River Polymers, Inc.*, Nos. 11-1078, -1100 (Fed. Cir. Feb. 17, 2012), the Federal Circuit reversed the district court's denial of ClearValue, Inc. and Richard Alan Haase's (collectively "ClearValue") motion for JMOL that the patent-in-suit was anticipated by the prior art. The Court also affirmed the district court's grant of JMOL that Pearl River Polymers, Inc., Polychemie, Inc., SNF, Inc., Polydyne, Inc., and SNF Holding Company (collectively "Pearl River") did not misappropriate ClearValue's trade secret.

U.S. Patent No. 6,120,690 ("the '690 patent") is directed to a process for clarifying water with alkalinity below 50 ppm using a combination of a high-molecular-weight polymer and an aluminum polymer. ClearValue alleged that Pearl River indirectly infringed the '690 patent by selling high-molecular-weight polymers, which customers used with aluminum polymers to clarify low alkalinity water. ClearValue also alleged that Pearl River misappropriated a trade secret covering a water-clarification process like that of claim 1.

Pearl River argued that a prior patent, the Hassick reference, anticipated the '690 patent because it taught the use of a blend of a high-molecular-weight polymer and an aluminum polymer to clarify water with alkalinity less than 150 ppm. Hassick included examples, including one with water alkalinity of 60-70 ppm.

The jury found Pearl River liable for induced and contributory infringement, and the district court denied Pearl River's motions for JMOL of noninfringement and invalidity. The jury also found that Pearl River misappropriated ClearValue's Trade Secret #1. The district court, however, granted Pearl River's motion for JMOL of no trade secret misappropriation, finding that the prior art disclosed every element of the trade secret before any alleged misappropriation by Pearl River.

On appeal of the invalidity issue, ClearValue first argued that Pearl River waived its invalidity defense by including them in its motion under Fed. R. Civ. P. 50(b), but not in its motion under Fed. R. Civ. P. 50(a). Following Fifth Circuit law, the Federal Circuit held that Pearl River was not barred from presenting its invalidity arguments because ClearValue did not raise waiver in opposing Pearl River's Rule 50(b) motion. Moreover, the Federal Circuit determined that the district court erred in holding that substantial evidence supported the jury's verdict of no anticipation.

"ClearValue has not argued that the 50 ppm limitation in claim 1 is 'critical,' or that the claimed method works differently at different points within the

prior art range of 150 ppm or less. . . . [The prior art] thus teaches and enables each and every element of claim 1.” Slip op. at 8-9.

First, the Court found that the district court erred in relying on the ClearValue expert’s testimony that the Hassick reference taught away from the ’690 patent. The Court noted that teaching away would be relevant to an obviousness determination, but is irrelevant to anticipation.

Next, the Court considered whether the Hassick disclosure’s broad range of alkalinity (150 ppm or less) anticipated the 50 ppm limitation of claim 1. ClearValue argued that the Court’s decision in *Atofina v. Great Lakes Chemical Corp.*, 441 F.3d 991 (Fed. Cir. 2006), supported its validity argument. In *Atofina*, the Federal Circuit held that the prior art’s broad temperature range of 100-500°C did not anticipate the narrow range of 330-450°C in the claims. In that case, the facts supported that a person skilled in the relevant art would understand that the range described in the claims was “critical” to the chemical reaction.

The Court contrasted this case against *Atofina*. ClearValue did not argue that its claimed range was “critical” or that the method worked differently at different alkalinity points. Therefore, the Court found that the disclosed genus anticipated the claimed species. Because Hassick taught and enabled each and every element of claim 1, the jury lacked substantial evidence to find the claim not anticipated by Hassick. The Court reversed the district court’s denial of JMOL of no anticipation and did not need to consider Pearl River’s other invalidity arguments or noninfringement claim.

For ClearValue’s claim of trade secret misappropriation, the Federal Circuit agreed with the district court that the Hassick reference publicly disclosed ClearValue’s trade secret before ClearValue allegedly communicated it to Pearl River. The Court rejected ClearValue’s argument that Hassick did not disclose its trade secret because it did not teach that the combination is effective at clarifying low alkalinity water. The Federal Circuit, however, found that the alleged trade secret contained no effectiveness requirement. Thus, the Court found that the jury’s verdict of trade secret misappropriation was not supported by substantial evidence.

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Failure to Present Sufficient Evidence Results in Unsuccessful Attempts to Oppose Trademark Registration for the COACH Mark

Stephanie H. Bald

Judges: Newman, O'Malley (author), Reyna

[Appealed from TTAB]

In *Coach Services, Inc. v. Triumph Learning LLC*, No. 11-1129 (Fed. Cir. Feb. 21, 2012), the Federal Circuit affirmed the TTAB's finding of no likelihood of confusion between Opposer Coach Services, Inc.'s ("Opposer") COACH mark for handbags, apparel, and other related products and Applicant Triumph Learning LLC's ("Applicant") COACH mark for test preparation products. The Court also affirmed the TTAB's finding that Applicant's COACH mark was not likely to dilute Opposer's COACH mark. The Federal Circuit vacated and remanded the case, however, for further proceedings on the issue of whether Applicant's COACH mark had acquired distinctiveness.

Applicant filed use-based trademark applications for the COACH mark in various formats. Each of the applications covered computer software for use in child and adult education (Class 9) and printed materials in the field of child and adult education (Class 16). Opposer opposed the applications on the grounds of likelihood of confusion, dilution, and descriptiveness. Opposer asserted numerous prior registrations for the COACH mark for various services and products, including handbags, luggage, clothing, watches, eye glasses, and wallets. Opposer also offered evidence of its use of the COACH mark, including evidence of its trade channels, advertising and marketing efforts, and unsolicited media attention, among others. The TTAB dismissed Opposer's opposition on all three counts.

On appeal, Opposer argued that the TTAB erred when it (1) improperly balanced the *DuPont* likelihood-of-confusion factors to find no likelihood of confusion; (2) ignored substantial evidence showing that Opposer's COACH mark was famous for dilution purposes; and (3) found that Applicant's descriptive COACH mark had acquired distinctiveness. In response, Applicant argued that the TTAB (1) correctly found no likelihood of confusion "in light of the vast differences in the parties' respective goods, the channels of trade through which those goods are sold, and the vastly different commercial impressions made by the marks on consumers"; (2) correctly found no likelihood of dilution because Opposer did not meet the stringent standards for fame under the Trademark Dilution Revision Act of 2006 ("TDRA") and because "its mark has not become the principal meaning of the word 'coach'"; and (3) that Applicant's mark had acquired secondary meaning. Slip op. at 7 (citation omitted).

"While the burden to show fame in the dilution context is high – and higher than that for likelihood of confusion purposes – it is not insurmountable. We do not hold that [Opposer] could never establish the requisite level of fame for dilution purposes. We hold only that, on the record presented to it, the [TTAB] had substantial support for its conclusion that [Opposer's]

As an initial matter, the Federal Circuit affirmed the TTAB’s exclusion of certain printed corporate annual reports that were submitted by Opposer through a notice of reliance. The Court rejected Opposer’s argument that the printed reports were admissible through notice of reliance alone (and thus were self-authenticating) because identical copies of the annual reports were available online. The Court acknowledged that although the TTAB’s decision in *Safer Inc. v. OMS Investments Inc.*, 94 U.S.P.Q.2d 1031, 1039 (T.T.A.B. 2010), allowed for submission of annual reports obtained from the Internet by notice of reliance, Opposer’s printed annual reports did not appear to have been obtained from the Internet and did not bear the identifying information required under *Safer*, namely, the online source and date accessed. The Court also pointed out that the annual reports were submitted in October 2008, prior to the *Safer* decision and at a time when Internet printouts were not self-authenticating. The Court also dismissed Opposer’s argument that one of Opposer’s witnesses had authenticated the annual reports in her testimony deposition by referring generally to the fact that certain advertising information was publically available in Opposer’s “annual report.” The Federal Circuit agreed with the TTAB that this testimony was not sufficient to authenticate the annual reports or independently establish the information contained therein.

Turning to Opposer’s likelihood-of-confusion claim, the Federal Circuit reviewed the TTAB’s findings on certain *DuPont* factors: (1) the strength or fame of Opposer’s COACH mark; (2) the similarity of the parties’ goods; (3) the channels of trade; (4) the classes of consumers; and (5) the similarity of the marks in their entireties. On appeal, Opposer argued that the TTAB failed to give proper weight to (1) the fame of its COACH mark; (2) the identical nature of the parties’ marks; and (3) the overlap between the parties’ goods and the overlap and sophistication of the parties’ customers.

Regarding the strength/fame factor, the Federal Circuit agreed with the TTAB’s finding that Opposer’s COACH mark was famous for purposes of likelihood of confusion. The Court also agreed with the TTAB that, despite the undisputed similarity between the parties’ respective marks, they had different meanings and created distinct commercial impressions. This was especially true given that the word “coach” is a common English word that has many different definitions in different contexts. As such, the Court found that Applicant’s COACH mark, when applied to educational materials, brought to mind someone who instructs students, while Opposer’s COACH mark, when used in connection with luxury leather goods, including handbags, suitcases, and other travel items, brought to mind traveling by carriage. Thus, the distinct commercial impressions of the marks outweighed the similarities in sound and appearance, particularly since (as discussed below) the parties’ goods were unrelated.

With respect to the similarity-of-goods factor, the Court agreed with the TTAB that the parties’ goods were unrelated. On appeal, Opposer conceded that the parties’ products were not the same, but argued that there was some overlap between their goods because Opposer “has used the mark in connection with books and audio and videotapes and in connection with tote bags, caps and shirts.” Slip op. at 22 (citation omitted). The Court found, however, that this alleged overlap did not help Opposer’s position because there was no evidence in the record as to the sale of these products by Opposer. Further, at least with respect to shirts, caps, and tote bags, these items were not included in Applicant’s trademark applications and were thus not relevant to the likelihood-of-confusion analysis, which looks only to the goods specified in those applications.

Regarding channels of trade and classes of consumers, the Federal Circuit agreed with the TTAB that those factors favored Applicant. Among other things, the Court found that although there could be some overlap in the classes of purchasers for the parties’ products (females between the ages of 25-65 on the one hand and educational professionals on the other), it was unlikely that, in the circumstances in which the products were sold, consumers would associate Opposer’s COACH products with educational materials used to prepare students for standardized tests. Further, there was nothing in the record to suggest that a purchaser of test preparation materials who also purchases a luxury handbag would consider the goods to emanate from the same source.

As for balancing the *DuPont* factors, the Federal Circuit found that the TTAB gave proper weight to its determination that Opposer's COACH mark was famous. The Court noted that fame, while important, is insufficient standing alone to establish a likelihood of confusion. Accordingly, although Opposer's COACH mark was famous for likelihood-of-confusion purposes, the unrelated nature of the parties' goods and their different channels of trade weighed heavily against Opposer. And because the *DuPont* factors favoring Applicant outweighed those favoring Opposer, the TTAB was correct in finding no likelihood of confusion.

On Opposer's dilution claim, the Federal Circuit also agreed with the TTAB, finding that Opposer had not presented sufficient evidence to establish fame for dilution purposes (which required a higher showing than fame for purposes of likelihood of confusion). Opposer argued that the TTAB had improperly disregarded (1) sales and advertising figures for the years 2000-2008; (2) Opposer's sixteen federal trademark registrations; (3) unsolicited media attention; (4) joint marketing efforts; (5) two Second Circuit decisions finding Opposer's hangtag, which features the COACH mark, to be famous; and (6) Opposer's internal brand awareness survey showing brand awareness among eighteen- to twenty-four-year-old consumers.

Regarding the sales and advertising figures, the Federal Circuit reiterated that the annual reports containing these figures were not admissible. Further, Opposer's witness testimony as to its sales and advertising in one isolated year (2008) was insufficient to establish fame for dilution purposes. The Court also found that "[w]hile ownership of a trademark registration *is* relevant to the fame inquiry, . . . proof of registration is not *conclusive* evidence of fame." *Id.* at 31.

Regarding media attention, the Court found that there was evidence of record that Opposer's mark had achieved a substantial degree of recognition. Many of the articles submitted, however, postdated Applicant's filing date and thus did not show fame before that date (as required for dilution). Accordingly, while there was some evidence of media attention, it did not show the widespread recognition required for dilution.

With respect to joint marketing efforts, the Federal Circuit agreed with the TTAB that the fact that other popular brands like LEXUS and CANON had used the COACH mark in connection with their products did not show that these marketing efforts were successful and thus were of little value to the fame analysis. The Federal Circuit similarly discounted the weight of an internal brand awareness study because Opposer did not offer a witness with first-hand knowledge of the study to explain how it was conducted, the study provided no evidence of brand awareness among women generally or among men (it related only to women ages 13-24), and it had been conducted in 2007, several years after Applicant filed its applications. Finally, the Court found the Second Circuit decisions irrelevant because they focused on the hangtag on Opposer's handbags (not the alleged fame of the COACH mark generally) and one of the decisions did not involve a dilution claim. Thus, the Court affirmed the TTAB's finding that Opposer had not provided sufficient evidence of fame for dilution purposes.

Finally, the Federal Circuit reviewed the TTAB's finding that Applicant's mark had acquired distinctiveness. As an initial matter, the Federal Circuit held that Opposer had standing to contest registration on descriptiveness because once standing is established, an opposer is entitled to rely on any of the grounds set forth in Section 2 of the Lanham Act that negate an applicant's right to registration. Thus, because Applicant had not challenged Opposer's standing to assert claims for likelihood of confusion and dilution, and Opposer had established standing for bringing those claims, it also had standing to assert a claim on descriptiveness grounds.

On the merits of Opposer's descriptiveness claim, the Federal Circuit affirmed the TTAB's decision that Applicant's COACH mark was merely descriptive. The Court, however, found that the TTAB had committed certain evidentiary errors in concluding that Applicant's COACH mark had acquired distinctiveness, particularly with respect to its finding that Applicant's use of the COACH mark had been "substantially exclusive." The TTAB erred by ignoring evidence that was published after Applicant's filing date because acquired distinctiveness is determined at the time of trial. Thus, the Board's failure to assess all of the evidence required remand.

Additionally, the Federal Circuit agreed with Opposer that on remand, the TTAB should address the weight to be given pre-July 2003 documents in light of the absence of any testimony authenticating them or addressing their use, and whether the apparent gaps in Applicant's proofs impact the TTAB's determination that the mark was in continuous use during the relevant time period.

Accordingly, the Federal Circuit affirmed the TTAB's findings of no likelihood of confusion and no dilution, and remanded the case for further proceedings solely on the issue of acquired distinctiveness.

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Connections to the Physical World Through Deeds, Contracts, and Real Property Fail to Render Claims Directed to an Investment Tool Patent Eligible Under 35 U.S.C. § 101

Rachel L. Emsley

Judges: Prost (author), Schall, Moore

[Appealed from C.D. Cal., Judge Guilford]

In *Fort Properties, Inc. v. American Master Lease LLC*, No. 09-1242 (Fed. Cir. Feb. 27, 2012), the Federal Circuit affirmed the district court's SJ of invalidity under 35 U.S.C. § 101 for claims relating to an investment tool.

American Master Lease LLC ("AML") owns U.S. Patent No. 6,292,788 ("the '788 patent"), which is directed to an investment tool enabling property owners to buy and sell properties without incurring tax liability. The '788 patent contains forty-one method claims, all reciting steps such as "aggregating real property to form a real estate portfolio," "encumbering the property . . . with a master agreement," and "creating a plurality of deedshares . . . subject to a provision in the master agreement for reaggregating the plurality of tenant-in-common deeds after a specified interval." Claims 1-31 of the '788 patent are directed to an investment tool having ties to deeds, contracts, and real property, but not requiring the use of a computer. Claims 32-41 of the '788 patent have the same ties to deeds, contracts, and real property as claims 1-31, but additionally require a computer to "generate a plurality of deedshares."

The district court, prior to the Supreme Court's decision in *Bilski v. Kappos*, 130 S. Ct. 3218 (2010), considered the patentability of the forty-one claims of the '788 patent only under the "machine-or-transformation test." The district court invalidated all claims of the '788 patent for failing to meet the subject matter eligibility requirements of § 101 and granted SJ in favor of Fort Properties.

"Under *Bilski*, this abstract concept cannot be transformed into patentable subject matter merely because of connections to the physical world through deeds, contracts, and real property." Slip op. at 10.

On appeal, the Federal Circuit reconsidered the patentability of the '788 patent claims de novo. The Court first reviewed four "seminal Supreme Court precedents [that] provide guidance regarding when an invention qualifies as a patent-eligible process as opposed to an abstract idea: *Bilski*, 130 S. Ct. 3218; *Diamond v. Diehr*, 450 U.S. 175 (1981); *Parker v. Flook*, 437 U.S. 584 (1978); and *Gottschalk v. Benson*, 409 U.S. 63 (1972)." Slip op. at 7. The Court identified claims 1-31 of the '788 patent as "very similar" to those in *Bilski* involving "a method by which buyers and sellers of commodities could protect, or hedge, against risk of price changes." *Id.* at 8. Despite AML's arguments that the claimed method "take[s] place in the real world" and "involves real property, deeds, and contracts," and that the deeds are physical legal documents, the Federal Circuit held that, like the *Bilski* claims, the '788 patent claims

1-31 did not require the use of a computer and involve “conceptual steps.” *Id.* at 9-10. The Court explained that *Bilski*’s claims were also tied to the physical world through tangible commodities and money, but that these ties were insufficient to render the claims patentable. Further noting that the ineligible invention in *Flook* involving the catalytic chemical conversion of hydrocarbons also “had ties to the physical world,” the Federal Circuit explained that the “abstract concept cannot be transformed into patentable subject matter merely because of connections to the physical world through deeds, contracts, and real property.” *Id.* at 10.

The Federal Circuit then reviewed its own recent precedent and found it consistent with the conclusion that claims 1-31 are directed to an abstract idea. The Court noted that in *In re Comiskey*, 554 F.3d 967, 981 (Fed. Cir. 2009), claims were unpatentable even though they required the use of physical contract documents, and that in *In re Schrader*, 22 F.3d 290, 291 (Fed. Cir. 1994), claims to a method of bidding at an auction were unpatentable despite the physical effect or result of entering bids in a record because “[t]he dispositive issue [was] whether the claim as a whole recite[d] sufficient physical activity to constitute patentable subject matter.” Slip op. at 11 (alterations in original) (quoting *In re Schrader*, 22 F.3d at 294).

Next, the Federal Circuit considered claims 32-41 of the ’788 patent, which contain an additional limitation requiring a computer to “generate a plurality of deedshares.” The Court noted that its own recent precedent provides guidance on how claim limitations involving computers should be treated under 35 U.S.C. § 101. The Court explained that “the basic character of a process claim drawn to an abstract idea is not changed by claiming only its performance by computers, or by claiming the process embodied in program instructions on a computer readable medium.” *Id.* at 12 (quoting *Cybersource Corp. v. Retail Decisions, Inc.*, 654 F.3d 1366, 1375 (Fed. Cir. 2011)). As an example of when “the use of a machine [would] impose meaningful limits on the claim’s scope,” the Court pointed to *Ultramercial, LLC v. Hulu, LLC*, 657 F.3d 1323, 1328 (Fed. Cir. 2011), in which the use of a computer was not a “merely insignificant post solution activity.” Slip op. at 12 (quoting *Cybersource*, 654 F.3d at 1375). The Court characterized the *Ultramercial* invention as a “specific application to the Internet and a cyber-market environment” involving “advances in computer technology.” *Id.* (quoting *Ultramercial*, 657 F.3d at 1328, 1329). The Court then contrasted *Ultramercial*’s claims requiring “an extensive computer interface” with the claims in *Dealertrack, Inc. v. Huber*, Nos. 09-1566, -1588, 2012 WL 164439, at *14, *18 (Fed. Cir. Jan. 20, 2012), which, despite limitations requiring the invention to be “computer aided,” were “silent as to how a computer aids the method, the extent to which a computer aids the method, or the significance of a computer to the performance of the method.” Slip op. at 12-13 (quoting *Dealertrack*, 2012 WL 164439, at *17).

Finding this precedent in accord with its conclusion that the “computer limitation” in claims 32-41 is “simply insignificant post-solution activity,” the Court affirmed the district court’s invalidation of all the claims of the ’788 patent.

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A Party to an Interference Proceeding May Rely on Multiple Precritical Date Claims to Support a Postcritical Date Challenge to a Patent

Kevin D. Rodkey

Judges: Prost, Clevenger (author), Reyna

[Appealed from Board]

In *Pioneer Hi-Bred International, Inc. v. Monsanto Technology LLC*, No. 11-1285 (Fed. Cir. Feb. 28, 2012), the Federal Circuit affirmed the Board's finding that Monsanto Technology LLC ("Monsanto") was not time-barred in bringing an interference based on multiple claims under 35 U.S.C. § 135(b)(1) against Pioneer Hi-Bred International, Inc. ("Pioneer"), and that Monsanto was entitled to seniority in the interference proceedings.

The Board declared an interference between all of the claims of Pioneer's U.S. Patent No. 6,258,999 ("the '999 patent"), issued July 10, 2001, which claims an invention date of June 10, 1988, and twelve claims of Monsanto's U.S. Patent Application No. 11/151,700 ("the '700 application"), filed June 13, 2005, and claiming an invention date of January 22, 1990. The '999 patent relates to a transgenic *Zea mays* corn plant without a T-DNA border. Monsanto's '700 application also pertains to a transgenic *Zea mays* corn plant.

The Board initially designated Pioneer as the senior party. The Board rejected Pioneer's argument that Monsanto's claims were time-barred under § 135(b) because, although the '700 application was filed more than one year after the '999 patent issued, the '700 application related back to an application Monsanto filed before the critical date. Thereafter, the Board found that the '999 patent was not entitled to its priority claim, thus making Monsanto the senior party. Pioneer then stipulated to judgment in Monsanto's favor and, following the entry of judgment and cancellation of its claims, appealed.

On appeal, the Federal Circuit first considered whether Monsanto could rely on multiple claims of its precritical date application to provide a basis for the interference. The Court held that the Board properly relied on multiple precritical date claims even though the '700 application was filed more than one year after the '999 patent issued. Relying on established precedent, the Federal Circuit determined that § 135 can be satisfied by multiple prior claims. The Court determined that the holding in *Thompson v. Hamilton*, 152 F.2d 994 (C.C.P.A. 1946), was clear that multiple precritical date claims, considered together, can provide the foundation necessary for postcritical date claims to be held timely. The Court then noted that "*Thompson* therefore stands for the proposition that, for purposes of section 135(b)(1), the Board may in some cases find the required pre-critical date claiming by analyzing multiple claims together." Slip op. at 9.

“[T]here is no error *per se* in considering multiple claims of a pre-critical date application together for section 135 purposes. To hold, as Pioneer proposes,

that such consideration is limited to claims in a dependency relationship would undermine our precedent.” Slip op. at 10.

Second, the Federal Circuit concluded that the Board did not err in finding that Monsanto’s precritical date claims were sufficient to permit it to overcome the lack of timeliness. The Court rejected Pioneer’s argument that the precritical date claims were too disparate to be “sufficiently congruent” to form the foundation for the interference. The Federal Circuit approved the Board’s test of checking, for each precritical date claim, to see if the claim was directed to the “same invention” as the others or whether it was addressing a “related” invention. As such, the Federal Circuit rejected Pioneer’s argument that Monsanto’s precritical date claims were not directed to the same invention because claim 9 depended directly from claim 1 and claim 8 depended from claim 7, which depended from claim 1. The Court rejected Pioneer’s arguments: “[T]here is no error *per se* in considering multiple claims of a pre-critical date application together for section 135 purposes. To hold, as Pioneer proposes, that such consideration is limited to claims in a dependency relationship would undermine our precedent.” *Id.* at 10. Since a dependent claim inherits all limitations of the parent independent claim, considering a parent and its dependent together is not practically different from considering only the dependent claim.

In light of that conclusion, the Federal Circuit held that the Board did not err in finding that precritical date claim 9 (which added a limitation that the claimed plant “expresses a selectable marker gene”) was directed to the same invention as precritical date claims 7 and 8 (which added limitations concerning beneficial traits coded for by incorporated heterologous DNA) because nothing in claim 9 indicated a choice away from the limitations of claim 7 or claim 8. Thus, taken together, the precritical date claims provided the necessary support under § 135 that the precritical date claims did not differ materially from the postcritical date claim. The Court similarly concluded with respect to Monsanto’s other precritical date claims.

Finally, the Federal Circuit agreed with the Board’s conclusion that Pioneer was not entitled to the priority date of its earlier application because the earlier application lacked an enabling disclosure of an embodiment satisfying the ’999 patent claim’s requirement of “foreign DNA . . . that is not comprised of a T-DNA border.” *Id.* at 13 (citation omitted). The Court concluded that Monsanto satisfied its initial burden of showing why Pioneer should be deprived of its interference priority by highlighting the lack of any express reference to such an embodiment in Pioneer’s earlier application. Thus, “[t]he Board was entitled to treat this as a prima facie justification for relief, which Pioneer was required to rebut.” *Id.* at 14. Since Pioneer’s earlier application contained no express discussion of T-DNA borders and no serious contention of inherency was made, the Court affirmed the Board’s priority decision.

Accordingly, the Federal Circuit affirmed the judgment of the Board.

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Federal Circuit Remands Issues Decided by Initial Determination but Not Substantively Reviewed by the ITC

Phillip K. Decker

Judges: Rader, Newman (author), Linn

[Appealed from ITC]

In *General Electric Co. v. International Trade Commission*, No. 10-1223 (Fed. Cir. Feb. 29, 2012), the Federal Circuit affirmed-in-part, vacated-in-part, reversed-in-part, and remanded the ITC's findings in a Section 337 investigation concerning wind turbines imported by Mitsubishi Heavy Industries, Ltd. and Mitsubishi Power Systems Americas, Inc. (collectively "Mitsubishi"). Mitsubishi's turbines were investigated in view of three wind turbine patents owned by General Electric Company ("GE").

It was undisputed during the ITC investigation that both Mitsubishi and GE sell variable speed wind turbines in the United States. Moreover, the turbines of each party employ "doubly-fed" induction generators, meaning that they utilize two electromagnetic fields to generate electricity for transmission over the power grid. While the doubly-fed design is generally more efficient at harvesting power than singly-fed generators, a downside occurs when the grid experiences irregularities, such as lightning strikes, downed lines, and short circuits. During those periods, large voltage differences between the stator coils and grid coils generate high current levels that can damage the converters used for feeding the rotor current. To address this problem, the Mitsubishi and GE turbines employ circuitry that decouples the rotor windings from the circuit during periods of elevated current. Then, to resume operation, the turbines trigger recoupling of the rotor windings. Mitsubishi's turbines recouple after a preset period of time, while GE's turbines recouple once the current levels decline to an acceptable level. In addition, GE's turbines employ a shunt circuit within the rotor inverter that responds to signals during a low-voltage event to enable the turbine to maintain steady voltage.

The ALJ found that all three of GE's patents, U.S. Patent Nos. 7,321,221 ("the '221 patent"), 6,921,985 ("the '985 patent"), and 5,083,039 ("the '039 patent"), were valid and infringed. The ALJ also found that GE had established a domestic industry with respect to the '985 and '039 patents, but not the '221 patent. The ALJ issued an initial determination finding a Section 337 violation. The ITC reviewed the ALJ's initial determination and reversed the ALJ's ruling. The ITC concluded that the '221 and '039 patents were not infringed, the '039 patent is not invalid by reason of obviousness or written description, and that GE had not established a domestic industry for any of the patents. In sum, the ITC held that Section 337 is not violated by the turbines imported by Mitsubishi.

On appeal, the Federal Circuit first considered the issue of infringement of the '221 patent. This issue was determined based on the construction of "predetermined value" in the claims of the '221 patent. Under the ALJ's construction of "predetermined value," the trigger for recoupling could include the expiration of a preset period of time. On review, the ITC determined that the "predetermined value" was

limited to a measurement of current, not time. The Federal Circuit agreed with the ITC and affirmed the ITC's view that "predetermined value" refers to a value of current or a proxy for current.

“The legislative purpose of expedited ITC resolution of unfair competition issues requires attention, in accord with statute and regulation, that issues decided by initial determination and not substantively reviewed by the full Commission are deemed determinations of the Commission in accordance with 19 C.F.R. §210.42(h)(2), and entitled to appeal in accordance with 19 U.S.C. §1337(c).” Slip op. at 26.

The Court next considered whether a preset time period in the Mitsubishi turbines is an adequate proxy for current and concluded it was not. Thus, the Court affirmed the ITC's finding that the Mitsubishi turbines do not literally infringe the '221 patent claims. The Court also rejected GE's argument that the turbines infringe under the DOE. The Court found substantial evidence to support the ITC's conclusion that "a system that measures when the specific emergency event has actually ended is not substantially the same as a system that applies the same time period to all emergency events." Slip op. at 13. Accordingly, the Court affirmed the ITC's determination that the Mitsubishi turbines do not infringe under the DOE. Finding no infringement, the Court also vacated the ITC's ruling that GE's turbines do not practice the '221 patent invention and therefore do not meet the domestic industry requirement as to the '221 patent.

Next, the Federal Circuit examined whether GE has a domestic industry with regard to the '985 patent. The '985 patent is directed to a wind turbine generator with a converter controller capable of shunting (diverting) current "from the inverter" in response to variations in current flow such as during a low-voltage event. The issue of claim construction was whether claim 15 of the '985 patent requires that the circuit that shunts current on signal from the converter controller is located entirely outside of the inverter. The ITC held that the shunt circuit must be separate from the inverter, for otherwise the circuit could not shunt current from the inverter, as claim 15 requires. The Federal Circuit disagreed, finding that the '985 patent specification does not require separation of the inverter and the shunt circuit in order for that circuit to be coupled with the input of the inverter and with the converter controller. Specifically, the Court found that the ITC construed "from the inverter" too narrowly when it required that the circuit be in a physically separate location from the inverter. Accordingly, the Court reversed the ITC's finding of no domestic industry with regard to the '985 patent.

The Court's reversal on domestic industry resulted in a procedural dispute involving the question of infringement of the '985 patent, which was back in play. Because the ITC had "noticed" review of the ALJ's infringement analysis of the '985 patent, but never reached the issue, the ITC argued that infringement of the '985 patent was "removed from access to judicial review." Slip op. at 24. In support of this argument, the ITC cited *Beloit Corp. v. Valmet Oy*, 742 F.2d 1421 (Fed. Cir. 1984), in which the Court confined itself to review of the ITC's final determinations on dispositive issues. The Court, however, found *Beloit* inapposite on the grounds that, in that case, only the prevailing party was not permitted to appeal and the reason was for lack of case or controversy on appeal. *Id.* at 26 (citing *Am. Tel. & Tel. Co. v. Int'l Trade Comm'n*, 626 F.2d 841, 842 (C.C.P.A. 1980)). Here, the Court opined, GE had not prevailed below and was entitled to review. The Court further explained that the ITC's interpretation "conflicts with the statutory right of judicial review of Commission determinations, provided in 19 U.S.C. §1337(c) . . . [and] with the principles of 19 C.F.R. §210.42(h) and §210.45(c), for no statutory or regulatory provision contemplates excluding a fully litigated ITC decision from access to judicial review." Slip op. at 24. Accordingly, the Court remanded for unspecified further proceedings on the '985 patent, noting that "[t]he legislative purpose of expedited ITC resolution of unfair competition issues requires attention, in accord with statute and regulation, that issues decided by initial determination and not substantively reviewed by the full Commission are deemed determinations of the Commission . . . and entitled to appeal . . ." *Id.* at 26.

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