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[Appealed from D. Del., Judge Stark]

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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SJ of Noninfringement Requires Analysis for Direct Infringement and Indirect Infringement Under *Akamai* Standard

Kai Rajan

Judges: Rader, Lourie (author), Moore

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

In *Move, Inc. v. Real Estate Alliance Ltd.*, No. 12-1342 (Fed. Cir. Mar. 4, 2013), the Federal Circuit vacated the district court's decision granting SJ of noninfringement of U.S. Patent No. 5,032,989 ("the '989 patent") and remanded for a determination of liability for induced infringement under 35 U.S.C. § 271(b).

Real Estate Alliance Ltd. ("Real") owns the '989 patent, which covers a method of using a computer for locating available real estate properties within a selected area on a map. Move, Inc. ("Move") operates interactive websites that allow users to search for available real estate properties. In 2007, Move brought suit against Real seeking a DJ of noninfringement and invalidity of the '989 patent. Real counterclaimed, alleging infringement by Move's websites. In 2009, both parties stipulated to noninfringement based on the district court's claim construction. The district court entered judgment for Move, and Real appealed.

On the initial appeal, the Federal Circuit found error in the district court's claim construction, vacated the judgment, remanded the case, and issued an opinion construing claim terms of the '989 patent. In the remanding opinion, the Court construed two steps of the method claim in the '989 patent that involved "selecting an area." The Court determined that the "selecting" steps meant that "the user or a computer chooses an area having boundaries." Slip op. at 4 (quoting *Move, Inc. v. Real Estate Alliance Ltd.*, 413 F. App'x 280, 286 (Fed. Cir. 2011)). On remand, the district court granted SJ of noninfringement in favor of Move, because Move's websites and computer did not perform the "selecting" steps required by claim 1 of the '989 patent, based on the Federal Circuit's claim construction. Real appealed, resulting in this subsequent appeal.

On this subsequent appeal, the Court first addressed direct infringement under 35 U.S.C. § 271(a), which required Move to perform each and every step of the method or process, or to have "control or direction" of others over the performance of each step in claim 1 of the '989 patent. *Id.* at 8. The Court agreed with the district court and found that Move did not directly infringe the '989 patent. In particular, the Court found that Move's computer did not perform the "selecting" steps, and that Move did not exercise direction or control over users of its websites. Instead, it was users who performed steps of freely selecting area boundaries on a map, and Move's computer retrieved a map based on preprogrammed coordinates of the user-selected area boundaries. Because Move's computer did not make any choices or selection, the Court held that Move was not liable for direct infringement.

“[L]iability under § 271(b) may arise when the steps of a method claim are performed by more than one entity, provided that the other requirements of inducement are met.” Slip op. at 10 (citing *Akamai Techs. Co. v. Limelight Networks, Inc.*, 692 F.3d 1301, 1306, 1318 (Fed. Cir. 2012) (en banc)).

The Court next discussed indirect infringement and inducement under 35 U.S.C. § 271(b), which the Court noted was not analyzed by the district court. The Court explained that to find inducement, “all the steps of a claimed method must be performed . . . , but that it is not necessary to prove that all the steps were committed by a single entity.” *Id.* at 10 (citing *Akamai Techs. Co. v. Limelight Networks, Inc.*, 692 F.3d 1301, 1307 (Fed. Cir. 2012) (en banc)). The Court found that the district court had not determined whether a genuine issue of material fact existed as to the performance of all the claim steps—whether by one entity or several, or whether Move had actual knowledge of the ’989 patent and induced users to perform the steps of the ’989 patent that Move itself did not perform. Therefore, the Court held that the district court legally erred by not analyzing indirect infringement and inducement in granting SJ. Accordingly, the Court remanded the case for the district court to determine whether Move was liable for indirect infringement under 35 U.S.C. § 271(b) based on the *Akamai* standard.

Finally, regarding Real’s request for reassignment of the case to a different district court judge on remand, the Court found no merit in Real’s accusations regarding the district court judge and denied Real’s request for reassignment.

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Equitable Estoppel May Bar Infringement Claims Against Successors-in-Interest but May Not Bar Infringement Claims for Continuing Patents Without Evidence of Misleading Conduct or Detrimental Reliance

Kai Rajan

Judges: Newman (concurring-in-part and dissenting-in-part), Moore (author), Reyna [Appealed from W.D. Wash., Judge Lasnik]

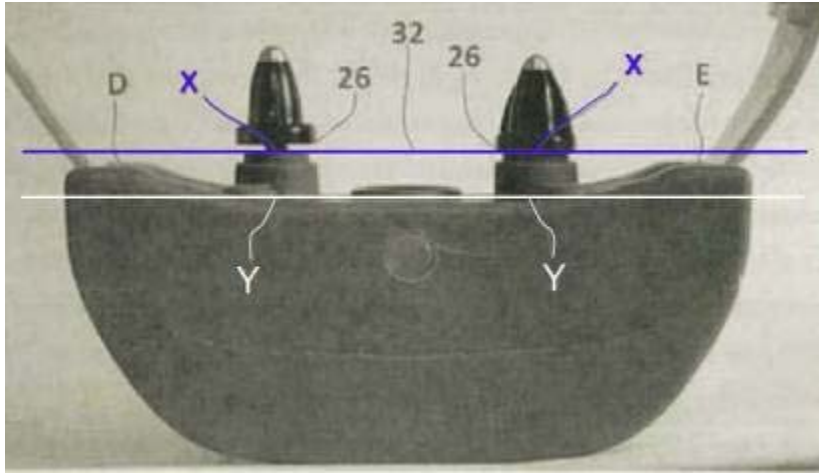
In *Radio Systems Corp. v. Lalor*, No. 12-1233 (Fed. Cir. Mar. 6, 2013), the Federal Circuit affirmed-in-part the district court's grant of SJ for noninfringement of U.S. Patent No. 6,830,014 ("the '014 patent"), and reversed-in-part and remanded the district court's grant of SJ for noninfringement of U.S. Patent No. 7,267,082 ("the '082 patent"), because the district court abused its discretion in applying equitable estoppel when there was no evidence of detrimental reliance on misleading conduct or silence.

Tom Lalor and Bumper Boy, Inc. (collectively "Bumper Boy") own the '014 and '082 patents, of which the '082 patent is a CIP of the '014 patent. Both patents disclose an animal collar having an "inside surface" and one or more "high point surfaces" that extend above a base of electrodes. Radio Systems Corp. and Innotek, Inc. (collectively "Radio Systems") make and sell animal collars having inward-protruding electrodes. In 2005, Bumper Boy sent Innotek a demand letter alleging infringement of the '014 patent. Innotek responded that its own collar was prior art that invalidated the claims of the '014 patent. Bumper Boy took no subsequent action for over four years, and Innotek continued making and selling collars, with Innotek ultimately being acquired by Radio Systems. In 2009, Bumper Boy sent Radio Systems a demand letter stating that Radio Systems' collars, including the Innotek collar from the 2005 demand letter, infringed both the '014 and '082 patents. Radio Systems brought suit, seeking a DJ of noninfringement and invalidity. Bumper Boy counterclaimed for infringement of the '014 and '082 patents. The district court granted SJ of noninfringement of three Radio Systems collars and concluded that equitable estoppel barred Bumper Boy from accusing infringement for the Innotek collar. Bumper Boy appealed the district court's claim construction and application of equitable estoppel.

"Our precedent confirms that equitable estoppel applies to successors-in-interest where privity has been established." Slip op. at 11.

On appeal, the Federal Circuit first reviewed the construction of two claim terms: "electrode base" and "inside surface." Construing "inside surface" as "the portion of the collar housing facing inwards towards the animal" and "electrode base" as "the portion of the electrode where it intersects the inside surface of the collar housing," slip op. at 4 (citation omitted), the district court determined that the electrode bases of Radio Systems' collars were represented by points X in the reproduced image, *id.* at 6. Thus, the district

court concluded that Radio Systems' collars did not infringe because they did not have a high point surface that extended the inner surface of the collar past the horizontal line created by points X. Bumper



Boy argued that the “electrode base” should be at points Y rather than at points X. The Court found that the district court correctly concluded that the electrode bases of Radio Systems' collars were at points X, and that Radio Systems' collars did not have the “high

point surfaces” of Bumper Boy's claims that require the inside surface of the collar housing to be extended past the line created by the electrode bases. Accordingly, the Court affirmed the district court's grant of SJ of noninfringement for Radio Systems as to the three Radio Systems collars.

The Federal Circuit next addressed the district court's application of equitable estoppel in granting SJ of noninfringement for the Innotek collar. The district court found that Bumper Boy misled Innotek through its 2005 demand letter and subsequent silence for over four years, and that Innotek relied on this silence by significantly expanding its product line and by being acquired by Radio Systems, thus estopping Bumper Boy from alleging infringement. Bumper Boy argued that equitable estoppel could only apply, if at all, to Innotek, because Radio Systems was a different legal entity and must independently show detrimental reliance. Bumper Boy further argued that Radio Systems neither knew about Bumper Boy's 2005 demand letter to Innotek, nor relied on it. Alternatively, Bumper Boy argued that even if equitable estoppel applied to the '014 patent, it should not apply to the '082 patent, which issued in 2007 and was not mentioned in the 2005 demand letter. Radio Systems argued that, as Innotek's successor-in-interest, equitable estoppel should apply, and that the district court properly treated the '014 and '082 patents as one in applying equitable estoppel.

The Federal Circuit held that the district court did not abuse its discretion in applying equitable estoppel to the '014 patent. With respect to Innotek, the Court found that the elements of equitable estoppel were present. The Court also held that the district court did not abuse its discretion in concluding that equitable estoppel barred Bumper Boy's infringement claims against Radio Systems, noting that “[o]ur precedent confirms that equitable estoppel applies to successors-in-interest where privity has been established.” *Id.* at 11. However, the Court concluded that the district court abused its discretion in applying equitable estoppel to the '082 patent. “Regardless of whether the '082 patent claims are supported by the subject matter in the '014 patent—and therefore entitled to claim priority to its filing date—the patents contain claims of different scope. Quite simply, the '082 patent claims could not have been asserted against Innotek or Radio Systems until those claims issued.” *Id.* at 11-12. The Court found no misleading conduct or silence by Bumper Boy, because there was no notice of infringement of the '082 patent until Bumper Boy's 2009 demand letter. Accordingly, the Court explained that there was also no evidence that Radio Systems relied on misleading conduct or silence, and the elements of equitable estoppel were not present. Thus, the Court reversed and remanded the district court's grant of SJ of noninfringement of the '082 patent for the Innotek collar.

Radio Systems argued in its appellate brief that invalidity is an alternative ground for affirming the district court's judgment, but the Federal Circuit declined to analyze Radio Systems' arguments regarding invalidity and explained that the Court would not address issues that may result in judgments that would enlarge the scope of the district court's judgment. The Court noted that “invalidity cannot be an alternative ground for affirming a judgment of noninfringement absent a cross-appeal.” *Id.* at 13.

Thus, the Federal Circuit affirmed the district court's grant of SJ of noninfringement of the '014 patent for Radio Systems' collars, and reversed and remanded the district court's application of equitable estoppel in granting SJ of noninfringement of the '082 patent for the Innotek collar.

Judge Newman concurred-in-part, agreeing that the district court properly construed the claim terms at issue in the '014 and '082 patents, and agreeing with the district court's application of equitable estoppel as to the '014 patent. Judge Newman then dissented-in-part, disagreeing that equitable estoppel did not apply to the '082 patent. Judge Newman reasoned that the '082 patent claims were fully supported by the '014 patent, and that "[t]he force of equitable estoppel cannot be escaped by including previously disclosed but unclaimed subject matter in a continuation-in-part patent." Newman Dissent at 2.

Judge Newman also disagreed with the Court in declining to analyze invalidity, and reasoned that as the prevailing party, Radio Systems "need not file a cross-appeal in order to defend a judgment in its favor on any ground that is supported by the record." *Id.* at 3. Because invalidity was decided by the district court and supported by the record, Judge Newman concluded that the Court should have reached the issue of validity on appeal.

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April 2013

Obviousness-Type Double Patenting Does Not Require Common Ownership or a Complete Identity of Inventors

Goutham Kondapalli

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

[Appealed from Board]

In *In re Hubbell*, No. 11-1547 (Fed. Cir. Mar. 7, 2013), the Federal Circuit affirmed the Board's decision upholding the examiner's final rejection of the claims of U.S. Application No. 10/650,509 ("the '509 application") for obviousness-type double patenting over U.S. Patent No. 7,601,685 ("the '685 patent").

The '509 application is directed to the field of tissue repair and regeneration, and more specifically to matrices containing bidomain peptides or proteins. The '509 application and '685 patent share Jeffrey Hubbell and Jason Schense as common inventors, but do not have identical inventive entities or common owners or assignees. During prosecution, the examiner found that claims of the '685 patent were directed to a species of the invention claimed in the '509 application and therefore anticipated the '509 application claims. The examiner rejected the '509 application claims for obviousness-type double patenting over the '685 patent, and the Board affirmed the rejection. The Board rejected Hubbell's argument that common ownership is a requirement for obviousness-type double patenting, reasoning that obviousness-type double patenting applied because the '685 patent and the '509 application had two common inventors.

On appeal to the Federal Circuit, Hubbell argued that an obviousness-type double patenting rejection should not apply where an application and a conflicting patent share common inventors but do not have identical inventive entities, were never commonly owned, and are not subject to a joint research agreement. Alternatively, Hubbell argued that he should be allowed to file a terminal disclaimer as an equitable measure, or that the Court should employ a two-way obviousness analysis for the rejected claims.

“[A]lthough Hubbell argues that we should create a specific exception barring application of obviousness-type double patenting in instances where the conflicting claims share only common inventors, rather than common ownership, we see no valid basis for doing so.” Slip op. at 12.

The Federal Circuit first addressed whether obviousness-type double patenting applies where an application and a conflicting patent have one or more inventors in common but the inventive entities are not identical and the applications were never commonly owned. The Court noted that the MPEP states

that an obviousness-type double patenting may exist when an application and a conflicting patent have a “*different inventive entity having a common inventor*,” slip op. at 9 (quoting MPEP § 804(I)(A)), stating that while the MPEP is not binding, the Court can take judicial notice of it to the extent that it does not conflict with statutory text. The Court further reasoned that the MPEP standard was consistent with the rationale for supporting an obviousness-type double patenting rejection.

The Court stated that it had previously rejected the contention that obviousness-type double patenting should never be applied in the absence of common ownership, citing *In re Van Ornum*, 686 F.2d 937 (CCPA 1982), and *In re Fallaux*, 564 F.3d 1313 (Fed. Cir. 2009). The Court rejected Hubbell’s arguments that *In re Van Ornum* and *In re Fallaux* were distinguishable because they involved applications that were once commonly owned, and that the holdings should be limited to instances where the complaining party is responsible for the divided assignment. The Court reasoned that the potential for harassment by multiple assignees would exist because an infringer could be subject to suit from both assignees. The Court stated that it saw “no valid basis” for “creat[ing] a specific exception barring application of obviousness-type double patenting in instances where the conflicting claims share only common inventors, rather than common ownership.” Slip op. at 12. The Court found that the Board’s rejection was proper on the facts presented.

Next, the Court rejected Hubbell’s alternative argument that he should be allowed to file a terminal disclaimer as an equitable measure. The Court stated that, “[a]s a general rule, a terminal disclaimer filed to overcome an obviousness-type double patenting rejection is effective only where the application and conflicting patent are commonly owned.” *Id.* at 13 (citing *In re Fallaux*, 564 F.3d at 1319). The Court found that the Cooperative Research and Technology Enhancement Act of 2004, which amended 35 U.S.C. § 103(c), did not apply “[b]ecause the ’509 application and the ’685 patent are not commonly owned and there is no joint research agreement between the assignees” *Id.* at 14.

Finally, the Court rejected Hubbell’s argument that the Court should employ a two-way obviousness analysis, agreeing with the Board that “a two-way analysis is not applicable because Hubbell cannot establish that the PTO is solely responsible for any delays associated with the claims on appeal.” *Id.* at 16. The Court noted that it was undisputed that Hubbell was partially responsible for the delay that caused the ’685 patent claims to issue before the ’509 application claims, and that the examiner had previously allowed claims similar to those at issue but that Hubbell had let that application go abandoned. The Court thus concluded that the Board properly affirmed the examiner’s rejection of the pending claims for obviousness-type double patenting over the ’685 patent.

Judge Newman dissented, opining that “double patenting does not apply when the application and patent are of separate ownership and have separate inventive entities.” Newman Dissent at 1. “In such situation the appropriate examination path is on the merits of the invention, or through the interference or derivation procedures, or other standard protocol as may apply in the particular situation.” *Id.*

Judge Newman reasoned that “[t]he law of double patenting evolved in various factual situations, but never departed from the requirement of either common inventorship or common ownership, and never departed from the available remedy of terminal disclaimer for obviousness-type double patenting.” *Id.* at 4.

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SJ of No Indirect Infringement by Gaming Machines Vacated and Remanded Under *Akamai*

Hillary C. Matheson

Judges: O'Malley (author), Bryson, Linn
[Appealed from N.D. Cal., Senior Judge Whyte]

In *Aristocrat Technologies Australia PTY Ltd. v. International Game Technology*, No. 10-1426 (Fed. Cir. Mar. 13, 2013), the Federal Circuit affirmed the district court's claim constructions of U.S. Patent Nos. 7,056,215 ("the '215 patent") and 7,108,603 ("the '603 patent"), and affirmed the SJ ruling that International Game Technology and IGT (collectively "IGT") did not directly infringe the '215 and '603 patents. The Court vacated and remanded the SJ ruling on the issue of indirect infringement.

Aristocrat Technologies Australia PTY Limited and Aristocrat Technologies, Inc. (collectively "Aristocrat") and IGT compete in the casino game machine industry. Aristocrat owns the '215 and '603 patents, which relate to gaming machines and claim methods for awarding a progressive prize through a bonus game that may appear in addition to the main game.

Aristocrat sued IGT for direct and indirect infringement of the '215 and '603 patents. Following remand from a previous appeal on the issue of validity, IGT moved for SJ of noninfringement. The district court granted IGT's motion, explaining that because IGT's accused gaming devices required two separate actors—the casino via the gaming machine and the player—direct infringement was precluded as a matter of law. The district court also concluded that because there was no direct infringement, IGT did not indirectly infringe the '215 and '603 patents. Aristocrat appealed, and while the appeal was pending, the Federal Circuit issued its opinion in *Akamai Technologies, Inc. v. Limelight Networks, Inc.*, 692 F.3d 1301 (Fed. Cir. 2012) (en banc).

On appeal, Aristocrat contested the district court's construction of the claim terms "making a wager" and "awarding said one progressive prize," and argued that material issues of fact existed as to whether IGT performed the "making a wager" and "awarding" steps under the district court's constructions. The Federal Circuit agreed with IGT and the district court that the "awarding said one progressive prize" step must be construed as conferring rights from the operator of the game to the player. The Court reasoned that Aristocrat's proposed construction of presenting or displaying the monetary amount due was inconsistent with the surrounding claim language and unsupported by the specification. The Court also dismissed Aristocrat's argument that defining "awarding" in terms of conferring a legal entitlement would produce inconsistent treatment of the '215 and '603 patents in different jurisdictions, explaining that whether "a particular state's law may complicate a player's ability to enforce collection of their prize does not affect the operation of the system claimed in the asserted patents." Slip op. at 17.

“For method claims—such as those at issue here—a patent holder must establish that an accused infringer performs ‘all the steps of the claimed method, either personally or through another acting under his direction or control. Direct infringement has not been extended to cases in which multiple independent parties perform the steps of the method claim.’” Slip op. at 25 (quoting *Akamai Techs., Inc. v. Limelight Networks, Inc.*, 692 F.3d 1301, 1307 (Fed. Cir. 2012) (en banc)).

The Court also affirmed the district court’s construction of “making a wager” as “betting, which is an act performed by the player.” *Id.* at 24. The Court concluded that Aristocrat’s proposed construction of “making a wager” as merely carrying out a bet was inconsistent with the specification and unsupported by the prosecution history. The Court also rejected Aristocrat’s claim that the district court improperly disregarded as conclusory its expert’s declaration on construction. The Court reasoned that although the expert explained how a gambling machine’s software carries out a bet, he did not explain whether the patent’s use of making a wager refers to the steps performed by the gaming machine or the player: “By failing to explain why a person of ordinary skill in the art would understand ‘making a wager’ to describe the steps performed by the microprocessor in processing the bet, [the expert] failed to support his assertion that ‘making a wager,’ as understood by a person of ordinary skill in [the] art, ‘means transfer of credits from the credit meter to the bet meter by the game software.’” *Id.* at 23 (citation omitted).

Turning to the issue of infringement, the Court found that under the claim constructions, no single actor performed all of the steps of the claimed methods, because a player, rather than a casino or game operator, performed the steps of “activating said user interface” and “making a wager.” The Court concluded that to be liable for direct infringement, IGT must exercise direction or control over a player playing the game: “For method claims—such as those at issue here—a patent holder must establish that an accused infringer performs ‘all the steps of the claimed method, either personally or through another acting under his direction or control.’ Direct infringement has not been extended to cases in which multiple independent parties perform the steps of the method claim.” *Id.* at 25 (quoting *Akamai*, 692 F.3d at 1307). The Court held that the district court correctly determined that no material issue of fact existed as to IGT’s lack of direction or control over the player.

The Court rejected Aristocrat’s contention that the player’s actions were the natural, ordinary, and reasonable consequences of IGT’s conduct in programming the gaming machine, stating that such a test was not recognized by the case law. The Court also rejected Aristocrat’s argument that a reasonable jury could find that IGT directly infringed during the testing of its machines, reasoning that there was no evidence of record that testers were given the right to use any credits or claim any prizes won in the course of such use. The Court thus affirmed the district court’s grant of SJ of noninfringement for liability under 35 U.S.C. § 271(a).

Lastly, the Court vacated and remanded the portion of the SJ order relating to indirect infringement, based on its decision in *Akamai*. The Court explained that under *Akamai*, a party can indirectly infringe by “knowingly induc[ing] others to engage in acts that collectively practice the steps of the patented method,” and that Aristocrat deserved the opportunity to press its indirect infringement theory with the benefit of the Court’s clarification. *Id.* at 28 (quoting *Akamai*, 692 F.3d at 1309).

As an alternative ground, IGT argued that remand could be avoided on the basis that the bonus game in its accused machines appeared during the main game instead of after it, whereas the asserted claims provide for “said second game appearing after competition of said first main game.” The Court disagreed, holding that the district court correctly found disputed issues of material fact as to when the main game completes.

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Marked Products and Past Payments Under a Licensing Contract May Be Circumstantial Evidence That the Products Are Covered by the License

Kevin D. Rodkey

**Judges: Newman (concurring), Clevenger (additional views), Moore (author, additional views)
[Appealed from D.N.J., Judge Wolfson]**

In *Frolow v. Wilson Sporting Goods Co.*, No. 12-1185 (Fed. Cir. Mar. 15, 2013), the Federal Circuit reversed the district court's grant of SJ that fourteen tennis racket models marked with U.S. Patent No. RE33,372 ("the '372 patent") were not Licensed Articles under a licensing agreement between Jack L. Frolow and Wilson Sporting Goods Co. ("Wilson"). The Court also reversed the district court's grant of SJ that 299 other models for which Wilson had paid royalties were not Licensed Articles, affirmed the district court's JMOL that Frolow failed to prove that five tennis racket models satisfied all of the claim limitations of the '372 patent, and remanded to the district court to consider the evidence relating to patent marking and past royalty payments.

Frolow, owner of the '372 patent related to a configuration for a tennis racket, licensed the '372 patent to Wilson. Wilson agreed to pay royalties for "Licensed Article(s)," which the agreement defined as "tennis rackets which are covered by one or more unexpired or otherwise valid claims" of the '372 patent. Slip op. at 2 (citation omitted). Among other limitations, the claims of the '372 patent recite a racket having a "magnitude of I_a [moment of inertia] greater than 80 ounce-inches squared." *Id.* at 3 (citation omitted).

After Frolow conducted an audit of Wilson's royalty payments, he brought suit against Wilson, alleging breach of the license agreement. The parties initially litigated whether forty-two racket models should be considered Licensed Articles. Based on Wilson's test data, the district court granted SJ that thirty-seven of the models did not have a moment of inertia of greater than 80 ounce-inches squared and therefore were not Licensed Articles. The district court also rejected Frolow's argument that fourteen of these rackets were marked with the '372 patent number. After a pretrial conference, Frolow alleged that 299 additional rackets were Licensed Articles because Wilson had paid royalties on those rackets. The district court granted SJ in favor of Wilson that the 299 additional rackets were not Licensed Articles, because Frolow's attempt to add them to the case was untimely and violated the court's orders, and because Frolow failed to offer evidence that these rackets fell within the scope of the asserted claims. The remaining five racket models were litigated at trial, and after the close of Frolow's case, the district court granted JMOL that these rackets were not Licensed Articles because Frolow failed to introduce evidence that the rackets included a head, a handle, a grip, or strings, as required by the claims of the '372 patent. Frolow appealed.

"Although we do not endorse Mr. Frolow's patent marking doctrine, we do

agree that the fact that Wilson marked their products with his patent number is a fact which supports his allegation that Wilson's products fall within the patent claims. The practice of marking a product with a patent number is a form of extrajudicial admission that the product falls within the patent claims." Slip op. at 8.

On appeal, the Federal Circuit reversed the district court's SJ ruling that the fourteen rackets marked with the '372 patent number were not Licensed Articles. The Court first considered whether a "marking estoppel" doctrine should preclude Wilson from arguing that the marked rackets were not covered by the claims of the '372 patent. The Court declined to adopt a marking estoppel doctrine, noting that the Supreme Court has never adopted or approved such a doctrine. It then declined to create a marking estoppel doctrine, observing that Congress statutorily provided a remedy for false marking in the False Marking Statute of the Patent Act. The Federal Circuit explained that marking is circumstantial evidence that the marked product is covered by a patent, and that marking may be an extrajudicial admission, which is evidence that may be considered by a court. However, the Court acknowledged that an extrajudicial admission is not binding on the party making the admission, and can be countered by that party. The Court also determined that adopting a marking estoppel doctrine would conflict with the evidentiary treatment of extrajudicial admissions. The Court therefore held that the district court erred when it refused to consider evidence that Wilson had marked its rackets with the '372 patent number.

Next, the Federal Circuit addressed whether Frolov's marking evidence raised a genuine issue of material fact in this case. The Court noted that although Wilson had submitted evidence that the fourteen marked rackets had a moment of inertia of 80 ounce-inches squared or less, Frolov had also submitted an expert declaration contesting Wilson's test data and had provided evidence of Wilson's marking. The Court held that marking is circumstantial evidence that the marked article falls within the patent claims and therefore can preclude SJ in appropriate cases. The Court reversed the district court's SJ ruling and remanded for consideration of the marking evidence.

The Court then turned to whether the district court erred in granting SJ on the 299 rackets for which Wilson had paid royalties during the term of the license agreement. The Court held that Wilson's history of paying royalties is circumstantial evidence that those rackets are Licensed Articles covered by the '372 patent. The Court also noted that Wilson introduced evidence that eighty-two of these racket models were not Licensed Articles, but that Frolov disputed the accuracy of Wilson's data and introduced evidence that Wilson had been paying royalties for these eighty-two racket models. Thus, the Court held that the past royalty payments were circumstantial evidence that raised a genuine issue of material fact and, accordingly, reversed the district court's associated SJ ruling. Acknowledging the district court's discretionary power to dismiss the claims relating to the 299 racket models, the Federal Circuit remanded to the district court to determine whether the 299 racket models should be included in the proceedings.

The majority then addressed the burden of proof on remand. Although acknowledging that neither party raised the issue of the burden of proof, the majority disagreed with Judge Newman's concurrence that contended the burden should shift to Wilson to prove that the rackets are not Licensed Articles. Basing its decision on New Jersey law, the majority stated that the plaintiff has the burden to establish the elements of a breach of contract claim. Rejecting Judge Newman's position, the majority observed that the cases cited by Judge Newman related to contract interpretation and do suggest that the defendant has the burden to disprove breach.

Finally, the Court rejected Frolov's argument that the district court had erred in granting JMOL that the five racket models contested at trial were not Licensed Articles because Frolov had not introduced evidence that the rackets included a head, handle, grip, and string netting. The Court affirmed the district court's JMOL ruling because, although the claim limitations regarding the head, handle, and grip are general in nature, the string limitation is not. Specifically, the claims require "vertical and horizontal strings," and Frolov failed to introduce evidence that the five racket models included vertical and

horizontal strings, as compared with diagonal or fan-shaped strings. Therefore, the Court held that the district court did not abuse its discretion in granting JMOL for the five racket models contested at trial.

Judge Clevenger wrote separately to explain “why this is an unusual case.” Clevenger Additional Views at 1. Judge Clevenger explained that, although the district court must consider the evidence of marking on remand, the evidence is not necessarily admissible to a jury. Judge Clevenger suggested that, in this case, the fourteen marked racket models did not satisfy the claim limitations and the marking evidence may be of limited probative value that is outweighed by the risk of unfair prejudice to Wilson.

Judge Moore also wrote separately to address Judge Clevenger’s additional views. Although Judge Moore agreed that there may be circumstances where the evidence of a defendant’s marking may be excluded, she did not agree with Judge Clevenger that exclusion applied in this case. Judge Moore argued that noninfringement had not been established because the district court refused to consider evidence of marking and Frolov did not concede that the marked products did not meet certain claim elements. Therefore, Judge Moore stated that the application of the law should be left to the district court.

Judge Newman concurred in the Court’s decision to remand, but asserted that the burden of proving that the marked racket models and the models for which royalties were paid are not Licensed Products should be shifted to Wilson on remand. Judge Newman asserted that a jury could determine that Wilson’s repeated marking could constitute a waiver that the marked rackets are not Licensed Articles. Judge Newman also disagreed with the majority’s reliance on the False Marking Statute, noting that the statute relates to qui tam actions for false marking, not a patent license or a breach of contract claim.

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April 2013

Section 24 Subpoenas Are Not Available in Inter Partes Reexamination Proceedings

Daniel A. Lev

Judges: Rader, Dyk (author), Reyna

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

In *Abbott Laboratories v. Cordis Corp.*, No. 12-1244 (Fed. Cir. Mar. 20, 2013), the Federal Circuit affirmed the district court's decision granting Abbott Laboratories' ("Abbott") motion to quash two subpoenas duces tecum issued under 35 U.S.C. § 24 in an inter partes reexamination procedure.

In September 2009, Cordis Corporation ("Cordis") sued Abbott and another company, alleging infringement of U.S. Patent Nos. 6,746,773 ("the '773 patent") and 7,591,844 ("the '844 patent") related to drug eluting stents. In 2010, the defendants filed requests for inter partes reexamination of the two patents, and the PTO granted the requests. During the reexamination proceedings, the parties submitted expert declarations related to obviousness, including the issue of copying as a secondary consideration of nonobviousness.

In October 2011, Cordis sought subpoenas duces tecum under § 24 from the district court. The district court issued the subpoenas, ordering Abbott to produce documents that Cordis alleged were related to copying and other secondary considerations of nonobviousness. The subpoenas were issued specifically for use in the pending reexaminations of the '773 and '844 patents. Cordis filed petitions with the Director of the PTO, asking him to clarify the PTO's rules related to service of subpoenas under § 24 in inter partes reexaminations, and to authorize such subpoenas if authorization was required. The PTO denied Cordis's petitions, and Abbott moved to quash the subpoenas. The district court granted Abbott's motion to quash, concluding that the PTO's decision was persuasive. Cordis appealed the district court's order quashing the subpoenas.

The Federal Circuit addressed the proper interpretation of § 24 as a question of first impression and construed the term "contested case" as used in § 24 as referring to a proceeding in which the PTO has provided for the taking of depositions for use in that proceeding. The Court based its construction of § 24 on its plain text and relationship with adjacent provisions of title 35, its legislative history, and the interpretation given to it by other courts.

"We hold that 35 U.S.C. § 24 only empowers a district court to issue subpoenas for use in a proceeding before the PTO if the PTO's regulations authorize parties to take depositions for use in that proceeding. We therefore hold that section 24 subpoenas are not available in inter partes reexamination proceedings." Slip op. at 18.

Based on the plain meaning of the statute, the Court concluded that “[a] ‘contested case,’ in this context, must . . . be a proceeding for which ‘testimony [may] be taken for use’ before the PTO.” Slip op. at 8 (second alteration in original) (quoting 35 U.S.C. § 24). Looking to the adjacent provisions, the Court concluded that 35 U.S.C. § 23 showed that Congress entrusted the PTO with the power to establish rules for taking depositions. Turning to the legislative history, the Court found that §§ 23 and 24 were enacted to allow the PTO to compel depositions in interferences and patent term extension proceedings. The Court concluded that “section 24 was intended to help the PTO secure deposition testimony it needed by compulsory process, and not to allow parties to secure evidence that the PTO did not consider necessary.” *Id.* at 13. Finally, the Court reasoned that interpretations by regional courts of appeal prior to creation of the Federal Circuit confirmed the existence of § 24 as the “handmaiden” of § 23. *Id.* The Court “conclude[d] that section 24 only empowers district courts to issue subpoenas in proceedings for which the PTO has authorized parties to present evidence by means of depositions.” *Id.* at 14.

The Federal Circuit noted that the Leahy-Smith America Invents Act (“AIA”) replaced inter partes reexamination with a new inter partes review proceeding, and that “[t]he purpose of this reform was to ‘convert[] inter partes reexamination from an examinational to an adjudicative proceeding.’” *Id.* at 15 (alteration in original) (citation omitted). Congress specifically provided for depositions of affiants in the new proceedings, and the PTO’s new rules authorize parties to seek § 24 subpoenas in those proceedings. The Court concluded that Congress’s actions in creating the inter partes review proceedings demonstrates that depositions and § 24 subpoenas go hand in hand.

The Federal Circuit next considered whether the PTO’s rules allow parties to take depositions in inter partes reexaminations. The Court found that because the PTO regulations only provide for depositions in interferences, derivation proceedings, and the new AIA proceedings, depositions are not available in inter partes reexaminations. The Court thus concluded that § 24 subpoenas are also not available in such proceedings.

The Court rejected Cordis’s arguments about due process, stating that, “[g]iven that the basic rights of notice and an opportunity to be heard have been afforded, determining what additional procedures are guaranteed by due process requires balancing the various interests at stake.” *Id.* at 18 (citing *Mathews v. Eldridge*, 424 U.S. 319, 334-35 (1976)). “We do not believe that, under the facts of this case, excluding compulsory production of testimony in inter partes reexamination proceedings raises a ‘serious constitutional problem[.]’” *Id.* (alteration in original) (quoting *Edward J. DeBartolo Corp. v. Fla. Gulf Coast Bldg. & Const. Trades Council*, 485 U.S. 568, 575 (1988)).

The Court concluded that “35 U.S.C. § 24 only empowers a district court to issue subpoenas for use in a proceeding before the PTO if the PTO’s regulations authorize parties to take depositions for use in that proceeding,” and therefore “that section 24 subpoenas are not available in inter partes reexamination proceedings.” *Id.*

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Reasonable Reliance on Pretrial Party Admissions Cannot Lead to a Subsequent Finding That a Litigation Is Exceptional Under 35 U.S.C. § 285

Ryan P. O'Quinn

Judges: Newman (author), Lourie, Schall

[Appealed from E.D. Pa., Judge Tucker]

In *Checkpoint Systems, Inc. v. All-Tag Security S.A.*, No. 12-1085 (Fed. Cir. Mar. 25, 2013), the Federal Circuit reversed the district court's exceptional case finding and award of attorneys' fees with costs and interest to the defendants under 35 U.S.C. § 285.

Plaintiff Checkpoint Systems, Inc. ("Checkpoint") manufactures "resonance tags," electronic antishoptlifting devices placed on goods. Checkpoint sued Belgian corporation All-Tag Security S.A., All-Tag Security Americas, Inc. (its American affiliate), and Sensormatic Electronics Corporation (an All-Tag customer) (collectively "All-Tag") for infringement of U.S. Patent No. 4,876,555 ("the '555 patent"). At issue between the parties was whether All-Tag's resonance tags contained a claimed "throughhole," defined in the '555 patent abstract as a "continuous hole" in a dielectric layer sandwiched between two conducting layers. During discovery, Checkpoint asked All-Tag to admit that the accused products contained such a throughhole. All-Tag responded only that its tags were made "generally in accordance with" its U.S. Patent No. 5,187,466 and a pending patent application that later issued as U.S. Patent No. 7,023,343 (collectively "the All-Tag patents").

Checkpoint's expert witness tested a roll of All-Tag resonance tags acquired from an All-Tag customer, and testified that tags produced in accordance with the All-Tag patents would have contained a throughhole and would have infringed the '555 patent. All-Tag moved to exclude the expert's testimony, arguing that his infringement opinion was fatally flawed because the tags he examined were made by All-Tag Security A.G. in Switzerland, and were not the current accused tags made by All-Tag Security S.A. in Belgium. Although All-Tag had moved its manufacturing operations from Switzerland to Belgium in 1994, the Belgian company resumed making resonance tags on the exact same factory equipment within approximately a week of the move. Accordingly, the district court denied All-Tag's motion and permitted the expert to testify, and further denied JMOL motions by All-Tag on the issue at the end of both sides' evidentiary presentations.

After trial, the jury returned a verdict in favor of All-Tag, finding that the '555 patent was not infringed, invalid, and unenforceable. All-Tag then moved for attorneys' fees under 35 U.S.C. § 285, arguing that the case qualified as "exceptional" under the statute because Checkpoint and its expert allegedly never examined the actual accused products. The district court agreed and awarded All-Tag attorneys' fees plus costs and interest totaling approximately \$6.6 million. Since the '555 patent term had expired by the time of appeal, Checkpoint appealed only the award of attorneys' fees.

“All-Tag’s admission that its products are made ‘generally in accordance’ with its patents could reasonably have been relied on by Checkpoint and its expert Dr. Zahn. Such reliance was not ‘objectively baseless.’” Slip op. at 12.

Turning to the first requirement to make an “exceptional” showing, “subjective bad faith,” the Court disagreed with the district court’s finding that because Checkpoint “only examin[ed] tags from All-Tag A.G. of Switzerland, not the Actual Accused Product manufactured by All-Tag S.A. of Belgium,” the claim was brought in bad faith. Slip op. at 9. The Court noted that All-Tag presented no evidence showing that the Swiss and Belgian-made tags were materially different in any respect, and further pointed out that All-Tag had stipulated that the Belgian entity used the Swiss entity’s machines to make the same tags.

Focusing on the second requirement, objective baselessness, the Court discussed the testimony of Checkpoint’s expert, Dr. Zahn, who referred in his testimony to the All-Tag patents because All-Tag had stated in discovery that its manufacturing process was “generally in accordance with” those patents. *Id.* at 5. The Court rejected All-Tag’s argument that Dr. Zahn’s reliance on the discovery statement was unreasonable because of the qualifier “generally,” stating that under Fed. R. Civ. P. 36(b), “a party may rely on an admission as ‘conclusively established’ unless the admission is recanted.” *Id.* at 11 (citing *Ajinomoto Co. v. Archer-Daniels-Midland Co.*, 228 F.3d 1338, 1351 (Fed. Cir. 2000)). The Court found that All-Tag had provided no such evidence or argument to indicate that its pretrial admission was incorrect; in fact, All-Tag’s own expert conceded at trial that a product made by the processes of the All-Tag patents would infringe the ’555 patent if the product’s “physical reality” matched the patents’ disclosures. *Id.*

The Court also disagreed with All-Tag’s arguments citing *L & W, Inc. v. Shertech, Inc.*, 471 F.3d 1311 (Fed. Cir. 2006). All-Tag contended that in *L & W*, the Court had rejected liability based on a similar statement that a product was “covered” by a patent, because there were multiple embodiments described and it was unclear whether a critical infringing feature was disclosed. The Court rejected the argument, distinguishing the facts of the case from *L & W* by finding that “the All-Tag patents describe no embodiments without the hole, which is the critical feature of Checkpoint’s ’555 patent.” Slip op. at 12. Consequently, “All-Tag’s admission that its products are made ‘generally in accordance’ with its patents could reasonably have been relied on by Checkpoint and its expert Dr. Zahn. Such reliance was not ‘objectively baseless.’” *Id.* Accordingly, the Court found that Checkpoint’s charges of infringement against All-Tag were not shown to have been made in bad faith or objectively baseless, and reversed the district court’s finding of an exceptional case under 35 U.S.C. § 285 and the award of attorneys’ fees.

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Conception Not Established by Preliminary Statement About Potential Use and Recommendation for Continued Work

Daniel T. Sharpe

Judges: Reyna (dissenting), Bryson (author), Wallach
[Appealed from Board]

In *Dawson v. Dawson*, Nos. 12-1214, -1215, -1216, -1217 (Fed. Cir. Mar. 25, 2013), the Federal Circuit affirmed the Board's decision in an interference proceeding that the University of California, San Francisco ("UCSF"), failed to prove sole conception by Chandler Dawson prior to his collaboration with Lyle Bowman. The Court dismissed as moot Drs. Dawson and Bowman's claims that UCSF's conflicting patent claims were unpatentable under 35 U.S.C. §§ 102(b) and 135(b).

In 1997, Dr. Dawson, who was at the time employed by UCSF, gave a presentation to the World Health Organization ("WHO") related to the topical use of azithromycin to control trachoma, a bacterial infection of the eye. The WHO released a report of the meeting containing a discussion of Dr. Dawson's presentation and listing benefits and objections to topical trachoma treatment. A second WHO document, which UCSF contends was Dr. Dawson's outline for the presentation, contains many of the same statements as the report, as well as a statement about the difficulties with ointments for trachoma treatment.

After the meeting, Dr. Dawson asked Kenneth Chern to contact Dr. Bowman to assist in creating a suitable ophthalmic medication with azithromycin for topical application to the eye. In 1999, Drs. Dawson and Bowman filed a patent application that led to the issuance of U.S. Patent Nos. 6,239,113 ("the '113 patent") and 6,569,443 ("the '443 patent"). Both patents are entitled "Topical Treatment or Prevention of Ocular Infections," and the specifications point out many of the difficulties with topical eye treatments that were noted during the development process. UCSF subsequently filed a patent application naming Dr. Dawson as the sole inventor and generally copying the specification and claims of the '113 and '443 patents to provoke an interference. After lengthy interference proceedings, the Board found that UCSF had failed to prove sole conception by Dr. Dawson.

"The definition of conception in patent law has remained essentially unchanged for more than a century. It is the 'formation in the mind of the inventor, of a definite and permanent idea of the complete and operative invention, as it is hereafter to be applied in practice.'" Slip op. at 10 (quoting *Hybritech Inc. v. Monoclonal Antibodies, Inc.*, 802 F.2d 1367, 1376 (Fed. Cir. 1986)).

On appeal, the Federal Circuit found no basis for overturning the Board's conclusion that UCSF failed to establish sole conception by Dr. Dawson. "The definition of conception in patent law has remained essentially unchanged for more than a century." Slip op. at 10. "It is the 'formation in the mind of the inventor, of a definite and permanent idea of the complete and operative invention, as it is hereafter to be applied in practice.'" *Id.* (quoting *Hybritech Inc. v. Monoclonal Antibodies, Inc.*, 802 F.2d 1367, 1376 (Fed. Cir. 1986)). The Court noted that the evidence in the case was unusual as UCSF relied on contemporaneous disclosures of the alleged conception rather than providing testimony from the supposed inventor. The Court disagreed with UCSF's contention that the WHO documents proved Dr. Dawson's conception, stating that "[a]t best, . . . the WHO Report and WHO document announce a general idea, acknowledge many of the difficulties associated with making that idea operative, and offer some thoughts on how one might proceed . . ." *Id.* at 11. "A 'preliminary' statement about a 'possibility' or 'potential use,' alongside a recommendation for continued work and a 'report back' in the future, falls short of a 'definite and permanent idea of the complete and operative invention, as it is hereafter to be applied in practice.'" *Id.* at 12 (quoting *Hybritech*, 802 F.2d at 1376).

The Court concluded that the inadequacy of UCSF's showing was equally clear in the context of the specific interference counts. The Court found that UCSF failed to establish conception of the specific formulation of the first interference count, reasoning that Dr. Chern would not have sent articles about concentrations to Dr. Bowman if Dr. Dawson had already known what concentration to use. The Court also found that UCSF failed to establish conception of the effective amount as recited in the second interference count, reasoning that the WHO documents indicated that the efficacy and dosing schedule would need to be determined.

Next, the Court addressed UCSF's argument that the Board's decision on conception was infected by errors in claim construction and dismissed UCSF's arguments on claim construction as "either beside the point or without merit." *Id.* at 15. The Court stated that the proper meaning of "treating" in the preamble of the count for Interference No. 105,719 was irrelevant to the conclusion that UCSF failed to prove sole conception by Dr. Dawson. The Court stated that UCSF's arguments regarding "effective amount" in the count for Interference No. 105,729 missed the point because the WHO documents undermined UCSF's contention that Dr. Dawson had permanently and concretely settled on the effective dosage amounts and how to achieve efficacy.

The Court rejected UCSF's argument that the Board erred in considering patent specification statements as inadmissible hearsay, reasoning that UCSF adopted the words in the '113 and '443 patents as its own when it "copied" those words into its patent application that provoked the interferences. The Court also rejected UCSF's argument that the Board erred in failing to consider statements that the patents' assignee made to the European Patent Office concerning novelty and inventive step. "In addition to being reluctant to place dispositive weight on one document submitted in a foreign proceeding, the Board properly noted that this case 'deal[s] with conception and actual reduction to practice . . . not lack of novelty or lack of inventive step.'" *Id.* at 17.

Finally, the Court addressed UCSF's argument that the Board improperly required a showing of reduction to practice to prove conception. The Court concluded that UCSF's argument was based on an erroneous view of what is needed to prove conception, stating that "there is a critical difference between conceiving a way to make an idea operative and knowing that a completed invention will work for its intended purpose." *Id.* at 18. The Court stated that it had no reason to overturn the Board's determination that UCSF's evidence of sole conception by Dr. Dawson was insufficient.

Judge Reyna dissented, concluding that the record demonstrated that Dr. Dawson possessed a definite and permanent idea of his complete and operative invention when he presented at the WHO in 1997. Judge Reyna opined that the majority's conclusion "reflects a misapplication of the law of conception to the facts of this case," stating that "the law [of conception] does not require that Dr. Dawson develop a working physical embodiment of his innovative idea." Reyna Dissent at 6.

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Unclaimed Boundary Lines in a Continuation Design Patent Application May Add New Matter Where the Boundary Was Not Suggested in the Disclosure of the Parent Application

Robert C. MacKichan

Judges: Prost (author), Moore, Wallach

[Appealed from Board]

In *In re Owens*, No. 12-1261 (Fed. Cir. Mar. 26, 2013), the Federal Circuit held that a broken line in a continuation design patent application, which served only to partition one part of the claimed design along a boundary not suggested in the parent application, created new matter not supported by the parent application.

In 2004, applicant Timothy S. Owens filed U.S. Design Patent Application No. 29/219,709 (“the ’709 application”), claiming the overall design of a bottle related to a line of mouthwashes and rinses. Two years later, Owens filed U.S. Design Patent Application No. 29/253,172 (“the ’172 application”), a continuation application claiming benefit of the ’709 application under 35 U.S.C. § 120. In the ’172 application, Owens claimed specific design elements on the top and side portions of the original bottle. One such feature was a portion of the pentagonal front face of the bottle directly below the bottle’s neck. To indicate what portion of the front panel was claimed, Owens added a broken line bisecting the pentagonal front panel. As a result, the application depicted a trapezoidal area of the front panel just below the bottle’s neck, the broken line comprising the base of the trapezoid:



Fig. 2

It was undisputed that the parent application disclosed no boundary (explicitly or implicitly) that corresponded to this newly added broken line.

On the basis of the added broken line, the examiner rejected Owens's continuation application as containing new matter, namely, the trapezoidal-shaped region created by the boundary line. Since the examiner found no evidence in the parent application that Owens originally possessed such a trapezoidal region, the examiner rejected the continuation application for lack of written description and as obvious, under 35 U.S.C. § 103, in view of bottles sold between the filing of the parent and continuation applications. The Board affirmed, agreeing that Owens's continuation application claimed previously undisclosed "trapezoidal sections occupying part, but not all, of the surface area of the front and back panels." Slip op. at 6 (citation omitted).

"It does not follow . . . that an applicant, having been granted a claim to a particular design element, may proceed to subdivide that element in subsequent continuations however he pleases." Slip op. at 9.

On appeal, the Federal Circuit first characterized the type of broken line at issue. The Federal Circuit clarified that broken lines contained in initial design patent applications to disclaim certain design elements ("environmental" lines) were not at issue since they do not implicate issues of priority. Instead, the Court explained that the broken line at issue was an "unclaimed boundary" line[], that is, a line that "divides a previously claimed area" and "indicates that the applicant has disclaimed the portion beyond the boundary while claiming the area within it." *Id.* at 7-8.

Owens argued that the unclaimed boundary line served to disclaim part of the entire area of the bottle disclosed in the '709 application, and that "an applicant who has possession of an entire area in a parent application must likewise possess all parts of the area." *Id.* at 9. In support of this contention, Owens relied on *In re Daniels*, 144 F.3d 1452 (Fed. Cir. 1998), where the Federal Circuit decided that a parent application claimed a container decorated with an ornamental floral design, and the continuation, which claimed the container without the ornamental design, was entitled to the effective filing date of the parent application. The Federal Circuit reasoned that the underlying container claimed in the continuation was "clearly visible in the earlier design application, demonstrating to the artisan viewing that application that Mr. Daniels had possession at that time of the later claimed design of that article." Slip op. at 9 (citing *In re Daniels*, 144 F.3d at 1456-57). Owens argued that the same reasoning should apply to his continuation because all portions of his pentagonal front panel were "clearly visible" in his parent application. The Federal Circuit rejected this argument, reasoning that in *In re Daniels*, the patentee "did not introduce any new unclaimed lines, he removed an entire design element." *Id.* And "[i]t does not follow from *Daniels* that an applicant, having been granted a claim to a particular design element, may proceed to subdivide that element in subsequent continuations however he pleases." *Id.*

Instead of turning on what had been disclaimed, the Federal Circuit explained that, under 35 U.S.C. § 112, the written description question turned on whether a "skilled artisan would recognize upon reading the parent's disclosure that the trapezoidal top portion of the front panel might be claimed separately from the remainder of that area." *Id.* at 10. The Court affirmed the Board's finding that such unique patentability was not suggested since "the parent disclosure does not distinguish the now-claimed top trapezoidal portion of the panel from the rest of the pentagon in any way." *Id.*

Finally, the Federal Circuit addressed "whether, and under what circumstances, Owens *could* introduce an unclaimed boundary line on his center-front panel" and still receive the effective filing date of his parent application. *Id.* The Court looked to guidance from the MPEP and past PTO practices, but found the direction of both ambiguous. Instead, the Court observed that the best advice for future applicants was a standard adopted by the PTO in its brief that "unclaimed boundary lines typically should satisfy the written description requirement only if they make explicit a boundary that already exists, but was unclaimed, in the original disclosure." *Id.* at 11. That standard, the Court concluded, "comports with our understanding of how unclaimed boundary lines generally should affect entitlement to an earlier filing date under § 112, ¶ 1, and § 120." *Id.* Accordingly, the Federal Circuit affirmed the PTO's rejection of

Owens's patent application.

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Damages for Overseas Sales Not Established by a Showing of Direct Infringement in the United States and Foreseeability of the Overseas Sales

Jose M. Recio

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

[Appealed from D. Del., Judge Stark]

In *Power Integrations, Inc. v. Fairchild Semiconductor International, Inc.*, Nos. 11-1218, -1238 (Fed. Cir. Mar. 26, 2013), the Federal Circuit affirmed the district court's finding of nonobviousness, affirmed-in-part and reversed-in-part the district court's ruling on claim construction, vacated the district court's order of remittitur and its attendant damages award, found error in the district court's exclusion of evidence related to prenotice price erosion and in its refusal to grant Power Integrations, Inc. ("Power Integrations") a postverdict accounting, vacated the district court's finding of willful infringement, and remanded to the district court for further proceedings.

Power Integrations filed suit against Fairchild Semiconductor International, Inc. ("Fairchild") for infringement of U.S. Patent Nos. 6,249,876 ("the '876 patent"); 6,107,851 ("the '851 patent"); 6,229,366 ("the '366 patent"); and 4,811,075 ("the '075 patent"). The patents relate to technology used in electric chargers for mobile phones. Following two jury trials, a bench trial, and post-trial proceedings, including a motion for remittitur, the district court found the patents valid and infringed, and awarded compensatory and enhanced damages to Power Integrations. Fairchild appealed, asserting that the district court erred in its claim construction, in denying Fairchild's motion for JMOL on obviousness, in formulating its remitted damages award, and in finding willful infringement. On cross-appeal, Power Integrations argued that the district court erred in granting Fairchild's motion for remittitur, in excluding evidence related to price erosion, and in denying Power Integrations' motion for postverdict accounting.

First, the Federal Circuit affirmed the district court's construction of "frequency variation signal" in the '851 and '366 patents as "an internal signal that cyclically varies in magnitude during a fixed period of time and is used to modulate the frequency of the oscillation signal within a predetermined frequency range." Slip op. at 15. The Court rejected Fairchild's argument that the term had a plain and ordinary meaning, noting that an expert for Power Integrations testified to the contrary. Instead, the Court relied on the intrinsic record and found that the district court's construction was proper. The Federal Circuit reversed the district court's construction of "soft start circuit" in the '851 and '366 patents as means-plus-function limitations. The Court reasoned that the term had sufficient structure in the claims of both patents to avoid means-plus-function claiming. The Court stated that on remand, the district court should construe the claims, assess any effects the new constructions may have on validity and infringement, and determine whether to order a new trial.

"Power Integrations is incorrect that, having established one or more acts of

direct infringement in the United States, it may recover damages for Fairchild's worldwide sale of the patented invention because those foreign sales were the direct, foreseeable result of Fairchild's domestic infringement." Slip op. at 38.

Next, the Federal Circuit affirmed the district court's denial of Fairchild's motion for JMOL on obviousness. The Court explained that "[t]he record here is replete with testimony and other evidence demonstrating that Power Integrations' patented technology was far less obvious than [the prior art] on its face suggests." *Id.* at 31. The Court concluded that the jury's conclusion of nonobviousness was supported by substantial evidence of objective considerations of nonobviousness, including that no one in the industry "was able to come up with the patented invention," commercial success, praise, and copying. *Id.* at 32.

Regarding damages, the Federal Circuit first held that the district court correctly concluded that the jury's total damages award of over 33 million dollars was contrary to law. The Court reasoned that the jury award was based on worldwide sales, and that Power Integrations was not "entitled to compensatory damages for injury caused by infringing activity that occurred outside the territory of the United States." *Id.* at 38. The Court rejected Power Integrations' foreseeability theory of worldwide damages, stating that "Power Integrations is incorrect that, having established one or more acts of direct infringement in the United States, it may recover damages for Fairchild's worldwide sales of the patented invention because those foreign sales were the direct, foreseeable result of Fairchild's domestic infringement." *Id.* "To the contrary, the entirely extraterritorial production, use, or sale of an invention patented in the United States is an independent, intervening act that, under almost all circumstances, cuts off the chain of causation initiated by an act of domestic infringement." *Id.* (citing *Morrison v. Nat'l Austl. Bank Ltd.*, 130 S. Ct. 2869, 2884 (2010)). The Court also reasoned that the testimony by Power Integrations' damages expert was unreliable, because it was derived from unreliable data and built on speculation.

The Federal Circuit next held that the district court was incorrect in reducing the worldwide damages award by 82%. The district court had reasoned that Fairchild was liable for induced infringement based on the importation of devices by third parties, including Samsung. The district court accepted testimony from Power Integrations' damages expert that 18% of the devices sold worldwide were imported into the United States. The Court disagreed with the district court, concluding that "the evidence on the record does not support the district court's decision to base its remitted damages award on a percentage of Samsung's worldwide sales of mobile phones." *Id.* at 45. "[The expert] did not present evidence linking Samsung's mobile phone sales data to Fairchild's infringing power circuits, other than to say that Fairchild sold its infringing components to Samsung." *Id.* at 47. The Court thus vacated the district court's damages award, stating that there was no basis upon which a reasonable jury could find Fairchild liable for induced infringement.

Turning to direct infringement, the Court held that the record supported a finding of Fairchild's liability for direct infringement, at least with respect to the products Fairchild stipulated it made or sold within the United States or imported within the United States. The Court thus affirmed the jury's implicit finding that Fairchild was liable to Power Integrations for direct infringement, and instructed the district court to hold a new trial to determine the proper amount of damages.

The Federal Circuit reversed the district court's grant of Fairchild's motion for partial SJ, which specifically granted Fairchild's request that all damages be calculated based on conditions occurring on or after the notice date and thus prohibited Power Integrations from introducing evidence of prenotice price erosion. The Court instructed that in the new trial on damages for direct infringement, the district court shall admit Power Integrations' evidence of prenotice price erosion.

Finally, the Federal Circuit reversed the district court's denial of Power Integrations' post-trial motion for an accounting of Fairchild's postverdict infringing sales. The Court reasoned that Power Integrations'

complaint did not contain any temporal limit on the damages requested and that the Court saw nothing in the record to suggest that Power Integrations waived its right to a postverdict accounting. The Court noted that “Power Integrations’ purported waiver was unclear enough that the district court found it ‘ambiguous’ whether Fairchild had actually agreed at some point to an accounting.” *Id.* at 57. In reversing the district court’s ruling, however, the Federal Circuit instructed that the scope of the accounting should be limited to any postverdict infringing sales that were substantially related to the direct infringement. “At this point, Power Integrations has had a full and fair opportunity to develop the record, and its right to a post-verdict accounting is not an unlimited after-hours hunting license.” *Id.* at 58.

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Looking Ahead

On March 15, 2013, the Federal Circuit issued a per curiam order granting Lighting Ballast Control LLC's ("Lighting") petition for rehearing en banc. Lighting filed the petition requesting that the Court consider overturning *Cybor Corp. v. FAS Technologies, Inc.*, 138 F.3d 1448 (Fed. Cir. 1998). In the *Cybor* case, the Federal Circuit held that claim construction is a purely legal issue and subject to de novo review on appeal, thus giving no deference to a district court's claim construction.

The Court has instructed the parties to file new briefs addressing the specific questions of whether the Court should overrule *Cybor*, "[s]hould this court afford deference to any aspect of a district court's claim construction," and "[i]f so, which aspects should be afforded deference?" Order at 2.

See future editions of *Last Month at the Federal Circuit* for further developments.

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Spotlight Info

In *Move, Inc. v. Real Estate Alliance Ltd.*, No. 12-1342 (Fed. Cir. Mar. 4, 2013), the Federal Circuit vacated the district court's decision granting SJ of noninfringement of a patent directed to a method of using a computer for locating available real estate properties within a selected area on a map. Initially, the Court affirmed the district court's determination that Move, Inc. ("Move") did not directly infringe Real Estate Alliance Ltd.'s ("Real") claim, because Move's computer did not perform certain steps of selecting area boundaries on a map. Rather, users of its websites freely made this selection and Move did not exercise direction or control over those users. Turning to 35 U.S.C. § 271(b), the Court noted that the district court did not analyze induced infringement, under the new standard set forth in *Akamai Technologies Co. v. Limelight Networks, Inc.*, 692 F.3d 1301, 1307 (Fed. Cir. 2012) (en banc). In addition, the district court did not determine whether a genuine issue of material fact existed as to the performance of all the claim steps—whether by one entity or several, or whether Move had actual knowledge of the asserted patent and induced users to perform the steps of the asserted patent that Move itself did not perform. Accordingly, the Federal Circuit remanded for a determination of liability for induced infringement under 35 U.S.C. § 271(b).

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