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Last Month at the Federal Circuit

November 2013



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[Appealed from ITC]

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[Appealed from Board]

Webinar: Recent Federal Circuit Cases Affecting Practice Before the USPTO Patent Trial and Appeal Board




December 5, 2013

Abbreviations

| | |
|--------------|--|
| ALJ | Administrative Law Judge |
| ANDA | Abbreviated New Drug Application |
| APA | Administrative Procedures Act |
| APJ | Administrative Patent Judge |
| Board | Patent Trial and Appeal Board (formerly the 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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Local Governments Are Prohibited from Registering Official Insignias as Trademarks

Kara A. Specht

Judges: Lourie, Plager (author), Benson (sitting by designation)

[Appealed from TTAB]

In *In re City of Houston*, No. 12-1356 (Fed. Cir. Oct. 1, 2013), and *In re Government of the District of Columbia*, No. 12-1418 (Fed. Cir. Oct. 1, 2013), the Federal Circuit held that a local government entity cannot obtain a trademark for its official insignia.

Both the City of Houston (“Houston”) and the Government of the District of Columbia (“the District”) filed trademark applications attempting to register their respective official local government entity insignias, or more specifically, their official seals. The PTO examining attorneys refused to grant the applications in light of § 2(b) of the Lanham Act, 15 U.S.C. § 1052(b). Both governing entities appealed the denials.

On appeal to the TTAB, Houston argued that “because it was a government entity seeking to register its own seal,” the provision did not apply. Slip op. at 4. The TTAB disagreed, concluding that the prohibition of § 2(b) was clear and applied to Houston. The District, on its appeal to the TTAB, argued that “the examining attorney’s interpretation was inconsistent with the treaty obligations of the United States negotiated in the Paris Convention of 1883.” *Id.* In its decision, the TTAB stated that “nothing in the legislative history or the provisions of the Paris Convention highlighted by the District indicate[d] that an alternative construction of § 2(b) [was] called for.” *Id.* at 5.

“The prohibition of § 2(b) is clear. Section 2(b) prohibits registration of an ‘insignia of the United States, or of any State or municipality.’ We see nothing in this plain language that suggests a government entity such as Houston should be exempted from the reach of the prohibition.” Slip op. at 7 (quoting 15 U.S.C. § 1052(b)).

On appeal to the Federal Circuit, Houston renewed its argument that the provision did not apply to a government entity attempting to register its own seal. Specifically, it argued that, “as a government entity, it is not an ‘applicant’ prohibited by § 2(b).” *Id.* at 6. Houston reasoned that the introductory sentence of § 45 of the Lanham Act, 15 U.S.C. § 1127, which states that the definitions in that section apply unless the contrary is plainly apparent from the context, indicates that the definition of “applicant” does not include government entities seeking to register their own marks. Houston’s theory was that “government entities use their official insignia to identify their goods and services, and unauthorized use of these insignia confuses the public.” *Id.* The PTO responded that “§ 2(b) unambiguously prohibits registration

of governmental insignia,” and “§ 2(b) contains no exception for a government entity.” *Id.* at 6-7.

The Court agreed with the PTO, holding that there was “nothing in [the] plain language that suggest[ed] a government entity such as Houston should be exempted from the reach of the prohibition.” *Id.* at 7. Likewise, the Court found that the definitional section, § 45, clearly contemplated a government entity as being an “applicant” because it explicitly recites several government entities, such as the “United States” “any State,” and “any instrumentality of a State.” *Id.* (quoting 15 U.S.C. § 1127). Further, the Court found that the context of the statute also supported the plain language interpretation, because the various provisions of § 2 of the Lanham Act did not align with Houston’s alleged policy to “protect the public from ‘pirates and cheats.’” *Id.* at 8. Therefore, the Court held that the plain language of § 2(b) prohibited Houston from registering its insignia.

The District, on appeal to the Federal Circuit, argued that § 2(b) should be construed according to the legislative history and consistently “with the language of the Paris Convention to give effect to Congressional intent.” *Id.* at 9. The PTO contended that legislative history need not be considered because the meaning of § 2(b) is plain on its face. The Court acknowledged that legislative history can be used in interpreting a statute to explore the statutory context of an enactment, but that certain types of legislative history, “such as the individual statements on the floor of the legislature by key legislators in favor of or opposed to the legislation, or language in committee reports that purports to explain legislative intent,” is only admissible when a statute is deemed ambiguous, and that, absent this ambiguity, the plain meaning of a statute cannot be varied by such legislative history. *Id.* at 11. The Court agreed with the PTO that § 2(b) is unambiguous, and, therefore, while the Court did not preclude an examination of legislative context, it would not be proper to consider the proffered legislative history.

In terms of legislative context, the District then argued that the denial of the District’s trademark registration is a violation of the rule in *Murray v. Schooner Charming Betsy*, 6 U.S. 64 (1804), that “an act of congress ought never to be construed to violate the law of nations, if any other possible construction remains.” Slip op. at 12 (quoting *Charming Betsy*, 6 U.S. at 118). The District contended that the TTAB’s interpretation violated the United States’s treaty obligation under the Paris Convention because “it prohibits everyone, including a municipality in a foreign member country, from registering its insignia in the United States.” *Id.* at 13. The District further argued that the Paris Convention requires member countries to register as trademarks official insignia that are authorized by competent authorities in other member countries, and that the TTAB’s decision prohibits everyone, including a municipality in a foreign member country, from registering its insignia in the United States.

The Court held that the provision of the Paris Convention relied upon by the District only applies to “emblems of countries, not emblems of local public bodies such as municipalities.” *Id.* at 14. Therefore, this provision did not apply to the District because it is a municipality of the United States, and not a country within the definition of the Paris Convention. Further, the Court found that the provision applies only to trademarks that are “duly registered in the country of origin,” and because the District’s seal was not duly registered in the United States, its country of origin, this provision did not apply. *Id.* at 15.

Accordingly, the Federal Circuit affirmed the TTAB’s final decisions with regard to both Houston and the District, and held that local governments are prohibited under § 2(b) of the Lanham Act from registering their official insignias as trademarks.

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Neither the Mandate Rule nor Collateral Estoppel Bars a Second Appeal on Claim Constructions Not Necessarily Decided by an Earlier Rule 36 Decision

*Adam S. Boger**

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

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

In *TecSec, Inc. v. International Business Machines Corp.*, No. 12-1415 (Fed. Cir. Oct. 2, 2013), the Federal Circuit held that TecSec, Inc.'s ("TecSec") appeal of the district court's claim construction was not barred under either the mandate rule or the doctrine of collateral estoppel by the Court's earlier summary affirmance under Federal Circuit Rule 36 ("Rule 36") in a prior appeal. The Court then affirmed-in-part, reversed-in-part, and remanded the district court's SJ decision of noninfringement after concluding that the district court had incorrectly construed various claim terms.

TecSec owns U.S. Patent Nos. 5,369,702 ("the '702 patent"); 5,680,452 ("the '452 patent"); and 5,898,781 ("the '781 patent"), all directed to methods and systems for securing computer data by nesting encrypted objects into other objects, which are also encrypted. Representative claim 8 of the '702 patent recites in relevant part: "A system for providing *multi-level multimedia security* in a data network comprising . . . *digital logic means*, the digital logic means comprising . . . a system memory means for storing data . . ." Slip op. at 3 (citation omitted).

TecSec sued International Business Machines Corp. ("IBM") and several other companies, alleging infringement by Internet servers and related software products. Early in the case, the district court severed TecSec's claims against IBM and stayed proceedings against the other defendants. The district court then granted IBM's motion for SJ of noninfringement, concluding that TecSec had failed to produce any evidence of any act of infringement by IBM or its customers. The district court also construed the claims and separately concluded that TecSec had failed as a matter of law to show that IBM's software met every limitation of the claims as construed. On its first appeal, TecSec challenged both the district court's claim construction and its conclusion that TecSec had failed to prove infringement by IBM. The Federal Circuit affirmed the decision without opinion pursuant to Rule 36. On remand, TecSec stipulated to noninfringement by the other defendants under the claim construction adopted by the district court during the proceedings against IBM, and the district court entered SJ of noninfringement. TecSec again appealed the district court's claim construction.

In the present appeal, the Federal Circuit held that neither the mandate rule nor the doctrine of collateral estoppel barred TecSec from rearguing claim construction. Addressing the mandate rule, the Court reasoned that because the district court's earlier-appealed judgment was based on two independent grounds—a failure of proof on infringement and a failure to show that IBM's software met the various claim limitations as construed—and because the Rule 36 decision did not articulate a basis for affirmance, "it cannot be concluded simply on the basis of this court's summary affirmance that we

expressly or by necessary implication decided the claim construction issues in the *IBM* appeal.” *Id.* at 10. Based on the same reasoning, the Court also concluded that claim construction was neither actually determined by nor critical and necessary to its Rule 36 affirmance, and thus the Court held that collateral estoppel also did not apply to this case.

“Had claim construction been the only issue in the *IBM* appeal, and had that claim construction been essential to sustaining the judgment of noninfringement, the preclusive effect of our Rule 36 judgment would have been undeniable. But that was not the case.” Slip op. at 11.

The Federal Circuit then turned to the disputed claim constructions. The Court first construed “*multi-level multimedia security*” as requiring “multiple layers of encryption.” *Id.* at 16. The Court rejected TecSec’s argument that “security” is broader than “encryption” and thus encompasses access control, finding that the inventor had defined “multi-level multimedia security” during prosecution to require multiple layers of encryption. Specifically, in responding to a rejection that “multi-level multimedia security” was unclear, the inventor had amended the specification and explained that the invention achieves multi-level multimedia security in two ways, both of which require multiple layers of encryption. The Court also rejected TecSec’s claim differentiation argument for a broader interpretation of “security,” explaining that “[c]laim differentiation is not a rigid rule and it cannot overcome a construction required by the prosecution history.” *Id.* (citing *Regents of Univ. of Cal. v. Dakocytomation Cal., Inc.*, 517 F.3d 1364, 1375 (Fed. Cir. 2008)).

The Federal Circuit then held that “multimedia security” broadly relates to *the type of security* employed and was not limited during prosecution to *the type of data* secured, i.e., multimedia data. Specifically, the Court rejected the defendants’ argument that the inventor had defined the term during prosecution by referring to a dictionary definition of “multimedia.” According to the Court, the inventor cited the dictionary solely for the proposition that “multimedia” was well known in the art; he did not argue that the definition of “multimedia security” required encryption of multimedia objects, nor did he characterize his claims as limited to encryption of multimedia objects, or distinguish his invention from the prior art on that basis. The Court thus concluded, “In these circumstances, we cannot say that the inventor clearly and unmistakably limited his claims to encrypting multimedia objects.” *Id.* at 18.

The Federal Circuit also addressed sixteen disputed claim limitations employing the term “means.” The Court first held that the terms “system memory means” for storing data and “digital logic means” were not means-plus-function limitations under 35 U.S.C. § 112, ¶ 6. The Court explained that, to one of skill in the art, a “system memory” is a specific structure for storing data, and thus overcame the presumption that the use of the term “means” triggered § 112, ¶ 6. The Court distinguished *Chicago Board Options Exchange v. International Securities Exchange*, 677 F.3d 1361, 1367 n.1 (Fed. Cir. 2012), explaining that, in that case, not only had the Court held that the patentee had waived its right to argue that “system memory” recited sufficient structure to avoid § 112, ¶ 6, but also noted that the “system memory means” in that case recited a more specific function than simply storing data. Next, the Court held that “digital logic means” designates to skilled artisans the structure of digital circuits that perform Boolean algebra, and the claims, which did not recite a function for the digital logic means to perform, did recite sufficient structural elements, including a system memory and specific modules and subsystems, so as to not implicate § 112, ¶ 6.

Finally, the Federal Circuit held that the specification discloses sufficient corresponding structure for the fourteen disputed computer-implemented means-plus-function limitations to avoid indefiniteness. The Court rejected the defendants’ contentions that the specification discloses only generic software, finding instead that the specification discloses three examples of specific products with detailed prose that show how those products operate to implement the claimed functions. In light of its claim construction, the Federal Circuit affirmed the district court’s SJ of noninfringement as to one defendant, reversed as to the

remaining defendants, and remanded for further proceedings.

Judge Reyna dissented. Judge Reyna would have held that TecSec was barred under both the mandate rule and the doctrine of collateral estoppel from relitigating the district court's claim construction. According to Judge Reyna, claim construction and the sufficiency of the evidence showing an act of infringement are not alternative grounds for finding noninfringement, but rather are part of a singular analysis. Judge Reyna concluded that "[t]he majority's disposition in this case allow[ed] TecSec two bites at the claim construction apple," undermining both the confidence in and the utility of Rule 36. Reyna Dissent at 10.

**Adam S. Boger is a Law Clerk at Finnegan.*

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Section 337 Domestic Industry Evidence Must Relate to Articles That Practice the Asserted Patent

*Flora M. Amwayi**

Judges: Rader, Prost, Taranto (author)

[Appealed from ITC]

In *Microsoft Corp. v. International Trade Commission*, Nos. 12-1445, -1535 (Fed. Cir. Oct. 3, 2013), the Federal Circuit affirmed-in-part, reversed-in-part, and remanded the ITC's finding of no violation of section 337 of the Tariff Act of 1930, 19 U.S.C. § 1337. In particular, the Federal Circuit affirmed the ITC's findings that Motorola Mobility, Inc. ("Motorola") did not infringe one of the asserted patents and that Microsoft Corporation ("Microsoft") failed to prove domestic industry for products protected by two other patents. Regarding the fourth asserted patent, the Federal Circuit partly reversed the ITC's finding of infringement based on its determination that the ITC incorrectly construed certain claims.

Microsoft initiated an ITC investigation against Motorola, alleging that Motorola's mobile phones and tablets infringed four Microsoft patents relating to mobile devices. U.S. Patent No. 6,578,054 ("the '054 patent") discloses a system and method for synchronizing copies of a data resource in a client-server environment, where any of several clients may make changes to its copy of that resource even when not connected to the server. U.S. Patent No. 7,644,376 ("the '376 patent") relates to a mechanism for notifying application programs about changes to the state of certain mobile-device components of relevance to those applications. U.S. Patent No. 6,826,762 ("the '762 patent") generally discloses a radio interface layer between radio hardware and software applications in a cell phone. U.S. Patent No. 5,664,133 ("the '133 patent") relates to a computer system having a graphical user interface that presents a set of representations corresponding to actual computer resources and offers "context sensitive" menus for user interactions.

The ALJ found that Motorola's accused products did not infringe any of the asserted claims, and that Microsoft had failed to prove the existence of a domestic industry. Specifically, the ALJ concluded that Microsoft had failed to prove that the mobile devices on which it relied to show domestic industry actually implemented the '054, '762, and '376 patents. The ITC upheld the ALJ's domestic-industry determination and adopted the ALJ's noninfringement findings. Microsoft appealed.

On appeal, the Federal Circuit affirmed the ITC's finding of noninfringement of the '054 patent, finding no error in the construction of the claim term "resource state information" as requiring some information that allows the server or client to determine which copy of the resource is the most recent.

"A company seeking section 337 protection must therefore provide evidence that its substantial domestic investment—e.g., in research and development—

relates to an actual article that practices the patent, regardless of whether or not that article is manufactured domestically or abroad.” Slip op. at 11 (citing *InterDigital Commc’ns v. Int’l Trade Comm’n*, 707 F.3d 1295, 1299, 1304 (Fed. Cir. 2013)).

The Court also affirmed the ITC’s determination that Microsoft failed to prove the existence of a domestic industry for products protected by the ’376 patent. The Court reasoned that while there was no question about the substantiality of Microsoft’s investment in its operating system or about the importance of that operating system to mobile phones on which it runs, that was not enough under the statute. The Court stated, “Section 337, though not requiring that an article protected by the patent be produced in the United States, unmistakably requires that the domestic company’s substantial investments relate to actual ‘articles protected by the patent.’” Slip op. at 11 (quoting 19 U.S.C. § 1337(a)(2), (3)). The Court further explained that “[a] company seeking section 337 protection must therefore provide evidence that its substantial domestic investment—e.g., in research and development—relates to an actual article that practices the patent, regardless of whether or not that article is manufactured domestically or abroad.”

Id. (citing *InterDigital Commc’ns v. Int’l Trade Comm’n*, 707 F.3d 1295, 1299, 1304 (Fed. Cir. 2013)). The Court affirmed the ITC’s finding of no violation based on the ’762 patent for similar reasons, stating that there was substantial evidence to support the determination that Microsoft failed to meet the domestic-industry requirement because it did not offer sufficient evidence to prove that any third-party mobile device implements a hardware-dependent driver layer as required by the ’762 patent.

Regarding the ’133 patent, the Court concluded that the ITC relied on an improper claim construction from the ALJ. Specifically, the Court explained that the noninfringement finding “rested entirely on incorrectly imposing . . . extraneous restrictions.” *Id.* at 21. The Court reversed the noninfringement finding as to the main group of accused products, where no alternative grounds were advanced to support the noninfringement finding. The Court remanded the noninfringement finding as to the alternative design products, where the ITC rejected direct infringement and did not reach the additional requirements for indirect infringement. The Court stated that, on remand, the ITC should also address “the effect of infringement findings—direct infringement already established, indirect infringement possibly to be found on remand—on whether there is a section 337 violation and what remedy is appropriate” *Id.* at 23.

**Flora M. Amwayi is a Law Clerk at Finnegan.*

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An Accused Device That Infringes Sometimes, But Not Always, Nonetheless Infringes

*Joseph M. Schaffner**

Judges: Rader (author), Lourie, Wallach

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

In *Broadcom Corp. v. Emulex Corp.*, No. 12-1309 (Fed. Cir. Oct. 7, 2013), the Federal Circuit affirmed the district court's findings of infringement, nonobviousness, and granting of a permanent injunction with accompanying sunset provision.

Broadcom Corporation ("Broadcom") owns U.S. Patent No. 7,058,150 ("the '150 patent"), generally relating to systems and methods of signal sampling. The '150 patent discloses a signal receiver equipped with a phase interpolator to perform clock and data recovery. Crucially, the '150 patent claims using multiple phase interpolators, each operating at a fraction of the rate of an incoming signal, to facilitate high-speed sampling.

In 2009, Broadcom brought suit against Emulex Corporation ("Emulex") alleging infringement of the '150 patent. Broadcom averred that Emulex sold a device employing multiple data paths, reducing the frequency offset of the incoming signal "at least some of the time." Slip op. at 7 (citation omitted). At the close of evidence, both parties moved for JMOL on the issue of infringement. The district court granted Broadcom's motion, ruling that Emulex infringed the '150 patent as a matter of law. The district court rejected Emulex's claim that the accused device infringed the '150 patent "only some of the time," instead reasoning that "part-time infringement . . . is sufficient to establish infringement." *Id.* (citations omitted).

After trial, both parties moved for JMOL on the issue of obviousness. Emulex argued that the '150 patent was obvious in light of European Patent No. EP0909035 ("Pickering"), which teaches clock recovery but not data recovery. The district court again ruled in favor of Broadcom, finding Emulex's prior art failed to teach both clock recovery *and* data recovery. Lastly, the district court entered an injunction against Emulex prohibiting the sale of infringing devices. Using the analytical framework of *eBay, Inc. v. MercExchange LLC*, 547 U.S. 388, 391 (2006), the district court reasoned that an eighteen-month sunset period satisfied the interests of both parties and protected Emulex's customers from supply disruptions. Emulex appealed the district court's finding of infringement and nonobviousness.

"It is well settled that an accused device that 'sometimes, but not always, embodies a claim[] nonetheless infringes.'" Slip op. at 12 (alteration in original) (quoting *Bell Commc'n Research, Inc. v. Vitalink Commc'n Corp.*, 55 F.3d 615, 622-23 (Fed. Cir. 1995)).

On appeal, the Federal Circuit upheld each of the district court's rulings. On the issue of infringement, the Court rejected Emulex's contention that the '150 patent failed to claim the use of multiple data paths in its receiver. Turning to the specification, the Court observed that the '150 patent specifically teaches an embodiment with four data paths, each sampling at a quarter of the incoming signal rate. The Court held, "[A]n interpretation [of a claim] which 'excludes a [disclosed] embodiment from the scope of the claim is rarely, if ever, correct.'" Slip op. at 11 (second alteration in original) (quoting *Accent Packaging, Inc. v. Leggett & Platt, Inc.*, 707 F.3d 1318, 1326 (Fed. Cir. 2013)).

Emulex attempted to overcome this ruling by arguing that the accused device reduced the frequency offset only some of the time, and not all of the time. The Federal Circuit dismissed this argument, noting that "[i]t is well settled that an accused device that 'sometimes, but not always, embodies a claim[] nonetheless infringes.'" *Id.* at 12 (alteration in original) (quoting *Bell Commc'n Research, Inc. v. Vitalink Commc'n Corp.*, 55 F.3d 615, 622-23 (Fed. Cir. 1995)). Finding the '150 patent claimed multiple data paths and the accused device sometimes practiced such an embodiment, the Court affirmed the district court's granting of JMOL in favor of Broadcom.

The Court next turned to the issue of obviousness, holding that the '150 patent would not have been obvious to one skilled in the art in light of Pickering. The Court clarified that "prior art references that address different problems may not, depending on the art and circumstances, support an inference that the skilled artisan would consult both of them simultaneously." *Id.* at 14. To the Court, Pickering addressed a different problem than the '150 patent. Pickering contemplated only clock recovery, not both clock and data recovery together.

The Court further concluded that, even if there might have been some motivation to add data recovery to Pickering, trial evidence suggested such a combination would not have worked for its intended purpose. It is not enough to show "all of the elements that comprise the invention were known in the prior art," the Court explained, but rather, a finding of obviousness "requires a 'plausible rational [sic] as to why the prior art references would have worked together.'" *Id.* at 15 (alteration in original) (quoting *Power-One, Inc. v. Artesyn Techs., Inc.*, 599 F.3d 1343, 1351 (Fed. Cir. 2010)). Finally, the Court found substantial evidence indicating objective indicia of nonobviousness, including commercial success of the products embodying the '150 patent, as well as a nexus between the claimed technology and the success of the products. The Court accordingly affirmed the district court's denial of Emulex's JMOL calling for the invalidity of the '150 patent on obviousness grounds.

The Court lastly reviewed the district court's granting of a permanent injunction with eighteen-month sunset period. The Court began its analysis by highlighting features of "design win" markets for original equipment manufacturers ("OEMs"), in which Broadcom and Emulex are directly competing suppliers for the OEMs. Suppliers prevailing in such "design win" systems enjoy two additional benefits apart from sales: temporary immunization from competition, and an increased likelihood of winning subsequent design competitions due to the OEM's familiarity with the winning supplier. Based on these market characteristics, the Court found Broadcom's loss of market share to Emulex irreparable and stemming directly from the adjudicated infringement.

Emulex argued that there was no evidence that the features claimed in the '150 patent were in demand, and that the patent feature is only a small component of the infringing product, relying on *Apple, Inc. v. Samsung Electronics Co.*, 678 F.3d 1314 (Fed. Cir. 2012), where it was held that the patented feature was not a determinative factor in sales, and therefore there was no nexus between infringement and the alleged harm. The Court rejected this argument, indicating that the evidence showed that the infringement did cause harm. As the Court observed, "Broadcom has shown—not that it is *likely* to succeed on the merits and *likely* to suffer irreparable harm—but that it in fact *has* succeeded on the merits and *has* suffered irreparable harm." Slip op. at 20. The Court similarly approved of the district court's sunset period for Emulex's continued sales of the infringing products. Consistent with these

holdings, the Federal Circuit affirmed the district court's permanent injunction decree and sunset provisions.

Accordingly, the Federal Circuit affirmed the district court's rulings on infringement, nonobviousness, and granting of a permanent injunction with eighteen-month sunset period.

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November 2013

Failure to Expressly Negate a False Declaration Establishes Materiality and Raises a Strong Inference of Intent for Inequitable Conduct

*Daniel S. Perry**

Judges: Prost, Moore (author), O'Malley

[Appealed from N.D. Ill., Senior Judge Hart]

In *Intellect Wireless, Inc. v. HTC Corp.*, No. 12-1658 (Fed. Cir. Oct. 9, 2013), the Federal Circuit affirmed the district court's judgment that U.S. Patent Nos. 7,266,186 ("the '186 patent") and 7,310,416 ("the '416 patent") asserted by Intellect Wireless, Inc. ("Intellect Wireless") were unenforceable due to inequitable conduct.

The '186 and '416 patents are directed to the wireless transmission of caller identification information. During prosecution, the sole inventor, Daniel Henderson, submitted a declaration under 37 C.F.R. § 1.131 ("Rule 131 declaration") to overcome a prior art reference, averring that the claimed invention was actually reduced to practice and demonstrated at a meeting in July 1993. The claimed invention was, however, never actually reduced to practice.

Henderson later filed a revised Rule 131 declaration. In this declaration, Henderson mentioned diligence from conception to the effective filing date, implying reliance upon constructive reduction to practice. Henderson's prosecuting attorney also informed the examiner that the revised declaration contained none of the actual reduction to practice elements. Yet, the revised declaration also described a "prototype now in the Smithsonian that was in development for a . . . demonstration" in July 1993 and a "product brochure and packing receipt," and expressly mentioned "actual reduction to practice" and "bringing the claimed subject matter to commercialization." Slip op. at 6 (citations omitted). Furthermore, to obtain claims in several related patents, Henderson submitted a declaration and a press release, both of which also indicated that he had built a device that could actually receive wireless transmissions.

Following a bench trial, the district court found the '186 and '416 patents unenforceable due to inequitable conduct. The district court concluded that HTC Corporation ("HTC") had proven the materiality prong because the Rule 131 declaration contained a false statement that was neither withdrawn, specifically called to the attention of the PTO, nor fully corrected. The district court also concluded that Henderson had acted with specific intent to deceive the PTO, finding that his explanations for the misrepresentations during prosecution of the asserted patents were not credible given the pattern of false and misleading statements regarding actual reduction to practice made during prosecution of related patents. Intellect Wireless appealed.

"Therasense in no way modified Rohm & Haas's holding that the materiality prong of inequitable conduct is met when an applicant files a false affidavit

and fails to cure the misconduct.” Slip op. at 7.

On appeal, the Federal Circuit affirmed the judgment of inequitable conduct. Addressing materiality, the Court found that it was undisputed that Henderson had not actually reduced the claimed invention to practice or demonstrated a prototype in July 1993, and thus the original declaration contained multiple unmistakably false statements. The Court then held, applying the standard of *Rohm & Haas Co. v. Crystal Chemical Co.*, 722 F.2d 1556, 1572 (Fed. Cir. 1983), that Henderson’s revised declaration had failed to correct these falsehoods, and thus cure the misconduct, because the revised declaration “never expressly negated the false references to actual reduction to practice in the original declaration”; “nowhere expressly stated the actual facts” (i.e., that neither Henderson nor Intellect Wireless had actually reduced the invention to practice); and nowhere “openly advise[d] the PTO of Mr. Henderson’s misrepresentations.” Slip op. at 6. The Court also noted that its decision in *Therasense* had in no way modified *Rohm & Haas’s* holding but rather “made clear that filing a false affidavit is exactly the sort of ‘affirmative act[] of egregious misconduct’ that renders the misconduct ‘material.’” *Id.* at 7 (alteration in original) (quoting *Therasense, Inc. v. Becton, Dickinson & Co.*, 649 F.3d 1276, 1292 (Fed. Cir. 2011) (en banc)). The Court thus held that not only had the district court not clearly erred in concluding that Henderson had engaged in affirmative egregious misconduct when he filed a false declaration, but given the false statements and the clear failure to cure the misconduct, “the argument that materiality has not been established is entirely without merit.” *Id.* at 8.

The Federal Circuit also saw no error in the district court’s finding on intent. The Court reasoned that “[s]ubmission of an affidavit containing fabricated examples of actual reduction to practice in order to overcome a prior art reference raises a strong inference of intent to deceive.” *Id.* at 9-10. And the Court found the inference stronger in this case since Henderson had engaged in a pattern of deceit by making false statements regarding reduction to practice to obtain claims in several related patents. Moreover, according to the Court, the district court’s finding of intent could be affirmed based on the content of the two declarations, with completely false statements in the first declaration followed by a replacement declaration that failed to expressly admit the earlier falsity. Finally, the Court held that the district court did not err in deciding not to credit Henderson’s explanation, noting that “[c]redibility determinations are an aspect of fact-finding that appellate courts should rarely reverse.” *Id.* at 11 (quoting *Star Scientific, Inc. v. R.J. Reynolds Tobacco Co.*, 537 F.3d 1357, 1368 (Fed. Cir. 2008)). Accordingly, the Court affirmed that the asserted patents were unenforceable due to inequitable conduct.

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November 2013

Contempt Motion's Colorable-Differences Inquiry Must Focus on How the Patentee Previously Proved Infringement

*Charles W. Mitchell**

Judges: Rader, Prost (author), Taranto

[Appealed from D. Del., Judge Stark]

In *nCUBE Corp. v. SeaChange International Inc.*, No. 13-1066 (Fed. Cir. Oct. 10, 2013), the Federal Circuit affirmed the district court's denial of a patentee's motion for contempt of a permanent injunction order, holding that the district court did not err in finding that the patentee failed to prove that the infringer's modified product was not colorably different from its infringing product.

ARRIS Group, Inc. ("ARRIS") (formerly nCUBE Corporation) and SeaChange International Inc. ("SeaChange") are providers of video-on-demand products and services. ARRIS owns U.S. Patent No. 5,805,804 ("the '804 patent"), which claims a media server capable of transmitting multimedia information on demand. SeaChange was found to willfully infringe the '804 patent, and a district court entered an order enjoining SeaChange from selling its infringing Interactive Television ("ITV") system and any product not more than colorably different therefrom. SeaChange began selling a modified version of its ITV system, and ARRIS filed a motion for contempt. The district court found that ARRIS failed to prove contempt by clear and convincing evidence, and ARRIS appealed.

On appeal, the only claim-at-issue was method claim 4 of the '804 patent, which included the step of "updating a connection service table with [an] upstream physical address." Slip op. at 4 (emphasis omitted). In the infringement suit, ARRIS successfully argued that SeaChange's ITV system met the limitation based on the system's Connection Table (i.e., "connection service table") and its 20-byte identifier known as the ClientID (i.e., "upstream physical address"). ARRIS never contended in the infringement suit that the ITV system met the limitation based on its 10-byte identifier known as the SessionID, which includes a MAC address identical to that of the ClientID. In SeaChange's modified system, the processing of the ClientID that previously occurred in the Connection Table was relocated and performed elsewhere.

"As the separation of the colorable-differences and infringement components in *TiVo* indicates, the colorable-differences standard focuses on how the patentee in fact proved infringement, not what the claims require. In this way, the *TiVo* standard preserves values of notice and preservation of trial rights by keeping contempt suitably limited." Slip op. at 10.

On appeal, ARRIS argued that the district court erred by failing to analyze the system as one in which the

ClientID had been removed altogether, not modified, and by failing to compare the infringing system's Connection Table, which was updated with the SessionID and the ClientID, to the modified system's Connection Table, which was updated with only the SessionID.

The Court disagreed with ARRIS's removal argument, reasoning that processing the ClientID outside the Connection Table constituted a modification, not a removal, of the accused element because both the Connection Table and the ClientID were still present in the system. Moreover, the Court found that the modification was significant because the modified system's ClientID, which did not update in the Connection Table, was indisputably outside the claim. The Court thus held that the district court properly found that ARRIS failed to prove that the functionality of the ClientID in the infringing ITV system was not colorably different from the functionality of the ClientID in the modified system.

The Federal Circuit also rejected ARRIS's argument that the district court erred by failing to compare the infringing system's Connection Table and the modified system's Connection Table. The Court reasoned that ARRIS only relied on the ClientID to prove infringement at trial and never identified the MAC address, found in both the ClientID and the SessionID, as the ClientID's infringing aspect. The Court further concluded that there were significant differences between the ClientID and the SessionID, including that they were indisputably made of different constituent numbers and performed distinct functions. ARRIS argued in response that it need not prove every possible avenue of infringement at trial, and thus was under no obligation to prove that the SessionID also met the upstream physical address of the claim. Nonetheless, the Court explained that "the colorable-differences standard focuses on how the patentee in fact proved infringement, not what the claims require." *Id.* at 10. The Court stated that, "[i]n this way, the *TiVo* standard preserves values of notice and preservation of trial rights by keeping contempt suitably limited." *Id.* Therefore, ARRIS could not rely on the modified system's SessionID or MAC address to show that its Connection Table was not colorably different from the infringing system's Connection Table where ARRIS's infringement proof focused specifically on the ClientID.

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Patent Exhaustion Is Triggered by the Authorized Sale of a Patented Item That Completely Practices the Claimed Invention

Kara A. Specht

Judges: Lourie (author), Mayer, O'Malley (concurring)

[Appealed from D. Del., Judge Robinson]

In *Keurig, Inc. v. Sturm Foods, Inc.*, No. 13-1072 (Fed. Cir. Oct. 17, 2013), the Federal Circuit affirmed the district court's judgment of noninfringement that patent exhaustion had been triggered by an authorized sale of a patented item that completely practiced the claimed invention.

Keurig, Inc. ("Keurig") manufactures and sells single-serve coffee brewers as well as beverage cartridges for use in the brewers. Keurig owns U.S. Patent Nos. 7,165,488 ("the '488 patent") and 6,606,938 ("the '938 patent"), which are directed to brewers and methods for using them to make beverages. Sturm Foods, Inc. ("Sturm") manufactures and sells single-serve beverage cartridges for use in Keurig's brewers, but it does not manufacture or sell brewers.

Keurig filed suit against Sturm alleging that customers using the Sturm cartridges in certain Keurig brewers infringed the method claims of the '488 and '938 patents, and that Sturm induced and contributed to that infringement. Sturm argued patent exhaustion as an affirmative defense and moved for SJ of noninfringement. The district court granted Sturm's motion, determining that patent exhaustion was triggered by the initial sale of Keurig's patented brewer that completely practiced the claimed invention. Keurig appealed.

"The doctrine of patent exhaustion has the effect of providing an efficient means for ensuring the termination of the patent right. Permitting Keurig to recover multiple times on its patented brewers by holding Sturm or any other cartridge manufacturer liable for direct, induced, or contributory infringement based on the independent manufacture and sale of cartridges for use in those brewers would be contradictory to these policies and the law." Slip op. at 9 (citations omitted).

On appeal, Keurig argued that the district court erred by declining to apply the substantial embodiment test articulated by the Supreme Court in *Quanta Computer, Inc. v. LG Electronics, Inc.*, 553 U.S. 617 (2008). Keurig specifically argued that, "under the *Quanta* test, its rights were not exhausted because its brewers are capable of many uses that do not infringe the asserted method claims." Slip op. at 5. Keurig further contended that "exhaustion must be adjudicated on a claim-by-claim basis" rather than on the patent as a whole. Sturm responded by arguing that "the *Quanta* test was formulated to address an

exhaustion issue based on the sale of unpatented items,” and therefore did not apply in this case because Keurig’s brewers were patented. Sturm further argued that “use of Keurig’s brewers with a non-Keurig cartridge cannot constitute infringement because Keurig’s authorized sale of those brewers, which are covered by the asserted patents, exhausted Keurig’s rights.” *Id.*

The Federal Circuit agreed with Sturm that the substantial embodiment test did not apply in this case because Keurig acknowledged that its brewers were commercial embodiments of the ’488 and ’938 patents. The Court reasoned that “as the Supreme Court long ago held, ‘[W]here a person ha[s] purchased a patented machine of the patentee or his assignee, this purchase carrie[s] with it the right to the use of the machine so long as it [is] capable of use.’” *Id.* at 7 (alterations in original) (quoting *Quanta*, 553 U.S. at 625). Following this precedent, the Court held that “Keurig sold its patented brewers without conditions and its purchasers therefore obtained the unfettered right to use them in any way they chose.” *Id.* Therefore, “Keurig’s rights to assert infringement of the method claims of the ’488 and ’938 patents were exhausted by its initial authorized sale of Keurig’s patented brewers.” *Id.* The Court explained that the consumer’s use of different types of cartridges in a noninfringing way could not save Keurig’s method claims from exhaustion. “Such an outcome would . . . be counter to the spirit of the doctrine of patent exhaustion because Keurig could control use of the brewers after it sold them.” *Id.* at 8. The Court further stated that patent exhaustion jurisprudence has been focused on “exhaustion of the patents at issue in their entirety, rather than the exhaustion of the claims at issue on an individual basis.” *Id.* (citing *Quanta*, 553 U.S. at 634-35; *United States v. Univis Lens Co.*, 316 U.S. 241, 249-50 (1942)).

Therefore, the Court affirmed the district court’s decision that Keurig’s asserted rights under the ’488 and ’938 patents were exhausted by the sale of the patented brewer.

Judge O’Malley concurred in the judgment that Keurig’s patent rights were exhausted. Judge O’Malley disagreed with the majority decision that exhaustion should not be assessed on a claim-by-claim basis. Judge O’Malley instead expressed a belief that “[t]here could be instances where assessing exhaustion on a claim-by-claim basis—the same way [the Court] conduct[s] almost every analysis related to patent law—would be necessary and appropriate.” O’Malley Concurrence at 2.

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Board's Finding of New Factual Basis for Reason to Combine and Reliance on New Reference Constituted New Grounds of Rejection

*Adam S. Boger**

Judges: Moore, Linn (author), O'Malley

[Appealed from Board]

In *In re Biedermann*, No. 13-1080 (Fed. Cir. Oct. 18, 2013), the Federal Circuit vacated a Board decision affirming the rejection of claims for obviousness and remanded the case for further proceedings, holding that the Board issued new grounds of rejection.

U.S. Patent Application No. 10/306,057 (“the ‘057 application”) discloses a bone screw with a shank and a holding portion for a rod that connects to other bone screws. The legs of the holding portion have an inner thread that cooperates with the outer thread of a locking element or screw to hold the rod securely in place. The inner and outer threads are sometimes referred to as square threads, and they have flanks at 90-degree angles to the central axis of the holding portion and locking element, respectively. The ‘057 application describes the threads as advantageously avoiding splaying of the holding portion’s legs and as easy to produce.

The examiner rejected claims 32, 33, 35-37, 39, and 48 as obvious over U.S. Patent Nos. 5,005,562 (“Cotrel”) and 4,846,614 (“Steinbock”), and further in view of U.S. Patent No. 4,688,832 (“Ortloff”). The examiner considered Cotrel to disclose all elements of the claimed invention except for the 90-degree orientation of the flanks of the inner thread, which the examiner found was disclosed in Steinbock. The examiner relied on Ortloff for its disclosure of gaps or clearances between the crest of the outer thread and the root of the inner thread, noting that this feature would be inherent in a device combining Cotrel and Steinbock. The examiner concluded that it would have been obvious to one of ordinary skill in the art at the time of invention to have provided threads with a square profile on the Cotrel legs, as taught by Steinbock, for efficient load transfer.

The Board affirmed the examiner’s rejections, discussing Cotrel, Steinbock, and, for the first time, a Machinery’s Handbook reference. The Board did not reach Ortloff and instead relied on the examiner’s alternative inherency rationale with respect to the gap. The Board found that Cotrel discloses the use of a saw-tooth pitch to avoid the spreading of the flanks, and that the Machinery’s Handbook indicates a saw-tooth thread is a buttress thread. The Board specifically found that Steinbock’s grouping of the square, Acme, and buttress threadforms would at least suggest their interchangeability. The Board denied the applicant’s request for reconsideration, and the applicant appealed.

“The thrust of the rejection changed when the Board found a new factual basis for the reason to combine. The Board went beyond filling in gaps in the

examiner's reasoning because it is not clear that the examiner's reasoning survived in the Board's rejection." Slip op. at 15.

On appeal, the Federal Circuit stated that the central question was "whether the Board and the examiner properly relied on the same articulated reasoning and factual underpinnings in rejecting [the] claims or whether the Board made new findings and adopted different reasons to support a new ground of rejection, thus depriving [the applicant] of both notice and an opportunity to respond." Slip op. at 11. The Court noted that the question turned on whether the applicant "had fair opportunity to react to the thrust of the rejection." *Id.* at 13 (quoting *In re Leithem*, 661 F.3d 1316, 1319 (Fed. Cir. 2011)).

The Court found that the principal reason the examiner combined the references was the efficiency of a square thread, while the principal reason the Board affirmed the combination of references was the avoidance of splaying by using the square threads. The Court held that "[t]hese are different grounds and form the bases or underpinnings of different rejections," noting that the Board itself recognized that efficiency and avoiding splaying were different. *Id.* at 15.

The Court reasoned that the Board changed the thrust of the rejection when it found a new factual basis for the reason to combine the references. The Court stated, "[T]he Board went beyond filling in gaps in the examiner's reasoning because it is not clear that the examiner's reasoning survived in the Board's rejection." *Id.* Rejecting the argument that the Board was merely responding to the applicant's arguments, the Court stated that "[a] new ground of rejection is not negated by the fact that the Board is responding to an appellant's argument." *Id.*

Regarding the Machinery's Handbook, the Court noted that citation to and reliance on a new reference will ordinarily be considered tantamount to a new ground of rejection unless the reference "is a standard work, cited only to support a fact judicially noticed *and* . . . the fact so noticed plays a minor role, serving only to fill in the gaps which might exist in the evidentiary showing made by the Examiner to support a particular ground for rejection." *Id.* at 16 (quoting *In re Boon*, 439 F.2d 724, 727-28 (CCPA 1971)). The Court held that the Machinery's Handbook was used as part of the new ground of rejection, reasoning that the Board used the reference to associate buttress and saw-tooth threads. According to the Court, this association filled no clear gap in the examiner's reasoning and instead played an important role in the Board's new reasoning.

Finally, the Court concluded that the Board also issued a new ground of rejection by treating machinability as another factor supporting the reason to combine references. The Court reasoned, "There is no apparent connection between machinability and the examiner's reason to combine based on efficiency." *Id.* at 17. The Court thus vacated the Board's decision and remanded the case for further proceedings.

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November 2013

An Algorithm in Means-Plus-Function Claims Must Adequately Define Structure to Avoid Indefiniteness

*Andrew E. Renison**

Judges: Lourie, Prost, Taranto (author)
[Appealed from D.N.J., Judge Hochberg]

In *Ibormeith IP, LLC v. Mercedes-Benz USA, LLC*, No. 13-1007 (Fed. Cir. Oct. 22, 2013), the Federal Circuit affirmed a district court's grant of SJ of indefiniteness in favor of defendants Mercedes-Benz USA, LLC and Daimler AG (collectively "Mercedes").

U.S. Patent No. 6,313,749 ("the '749 patent") discloses a sleepiness detection safety system for vehicle drivers or machine operators. The monitor system disclosed in the '749 patent takes into account several factors related to sleepiness—e.g., driver behavior and time of day—which are "individually weighted, according to contributory importance, and combined in a computational decision algorithm or model" to warn drivers of sleepiness. Slip op. at 2 (citation omitted).

Independent claims 1 and 9 of the '749 patent contain a "computational means" element subject to the requirements of 35 U.S.C. § 112(f)—formerly paragraph 6 of 35 U.S.C. § 112—as means-plus-function claims. Claim 1 requires that the means account for "sleepiness-related time-of-day information" and to produce an output that triggers a warning, if necessary. Claim 9 focuses on the driver's steering to provide a warning indication of driver sleepiness.

Ibormeith IP, LLC ("Ibormeith"), assignee of the '749 patent, sued Mercedes for infringement. Mercedes moved for SJ of indefiniteness, arguing that the means-plus-function "computational means" limitations were indefinite. While Ibormeith argued that the required structure included algorithms found in the specification, the district court held that cited portions of the specification were inadequate to disclose the needed structure, and granted SJ for Mercedes. Ibormeith appealed.

"A description of an algorithm that places no limitations on how values are calculated, combined, or weighted is insufficient to make the bounds of the claim understandable." Slip op. at 12.

On appeal, the Federal Circuit affirmed the district court's grant of SJ of indefiniteness. The Court explained that § 112(f) "allows patentees to put structural details into the specification and build into the literal coverage of the claim a certain scope for equivalents in performing a defined function." *Id.* at 7. The Court noted that means-plus-function claims must be "tied to a structure defined with sufficient particularity in the specification," and while the structure "need not be so particularized as to eliminate the

need for any implementation choices by a skilled artisan,” the structure must be sufficiently defined to render the bounds of the claim understandable by the implementer. *Id.* Iborneith recognized that the structure required for the claimed “computational means” must be an algorithm that must be found in the specification. The only substantial issue for the Federal Circuit then was whether such an algorithm was adequately disclosed in Table 10 of the specification, along with two figures and any other specification material that would clarify the meaning of Table 10. The Court found that the disclosed algorithm did not adequately define the structure.

In scrutinizing the relevant sections of the specification, the Court noted that Table 10 included “what looks like a mathematical equation” followed by several factors. *Id.* at 8. Further, Figures 3 and 17 depict how sleepiness varies throughout the day, with Figure 17 including lines representing warning threshold levels. According to Iborneith, the factors in Table 10 may relate to driver drowsiness. But, the Court noted that “there is no disclosure of even a single concrete relationship between the various factors that are used to compute an outcome to warn of driver drowsiness.” *Id.* at 9. Rather, Iborneith’s expert described Table 10 as a template used for creating a specific formula or equation, and that certain terms are optional or less important than others. Iborneith’s expert explained that simply adding the weighted factors is insufficient for the algorithm, and one implementing the drowsiness detection system would need to decide which factors to use; how to obtain, weight, and combine them; and when to issue the warning.

The Court, acknowledging that this broad reading of Table 10 was an attempt by Iborneith to reach the accused products, treated Iborneith’s position as to Table 10’s breadth as a binding admission. Thus, the Court explained that Table 10 could be interpreted as covering all ways of considering the listed factors, or a subset thereof, that a skilled artisan would consider appropriate. Such a reading of Table 10, the Court found, “leaves the disclosure without an algorithm whose terms are defined and understandable.” *Id.* at 11. Moreover, the Court noted, Table 10 does not disclose how to weight the factors; it merely lists those factors without explaining how to arrive at a computed warning indicator. Nor could Iborneith rely on Figures 3 and 17 to provide the requisite structure to support Table 10. The figures, the Court explained, merely provided information that one “skill[ed] in the art **could** use to design his or her own method of weighting.” *Id.* at 11-12. As such, the Court affirmed the district court’s judgment of indefiniteness.

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Last Month at the Federal Circuit

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November 2013

Claims Broadened to Encompass a Competitor's Product Must Be Supported by the Written Description

Kara A. Specht

Judges: Prost, O'Malley (author), Taranto (dissenting)

[Appealed from N.D. Cal., Senior Judge Whyte]

In *Synthes USA, LLC v. Spinal Kinetics, Inc.*, Nos. 13-1047, -1059 (Fed. Cir. Oct. 29, 2013), the Federal Circuit affirmed the jury's verdict of lack of written description and the district court's denial of a request for attorneys' fees.

Synthes USA, LLC ("Synthes") filed suit against Spinal Kinetics, Inc. ("SK"), alleging that SK's M6-C and M6-L intervertebral implants infringed claims 29-31 of Synthes's U.S. Patent No. 7,429,270 ("the '270 patent"). The '270 patent is directed to an "Intervertebral Implant," which is a prosthetic device designed to replace a diseased or degenerated disc located between adjacent vertebrae of the human spine.

During the course of the litigation, the district court construed a number of claim terms, including the phrase "the third plate including a plurality of openings." At trial, the jury concluded that SK's M6 devices did not infringe the asserted claims of the '270 patent and that SK proved by clear and convincing evidence that independent claim 29, and consequently dependent claims 30 and 31, were invalid for lack of written description support. Specifically, the jury found the '270 patent invalid for lack of written description on four claim limitations: (1) "plate including a plurality of openings"; (2) "wherein the core is substantially cylindrical"; (3) "flexible core"; and (4) "substantially rigid bone contacting plate." Synthes moved for JMOL or new trial on the issues of literal infringement and invalidity, which the district court granted-in-part on the issue of invalidity for lack of written description. The district court found that SK failed to carry its burden on "substantially cylindrical core" and "substantially rigid bone contacting plate." The district court affirmed the jury on the other findings and denied SK's motion for attorneys' fees under 35 U.S.C. § 285. Synthes appealed the denial of JMOL and SK cross-appealed on the issue of attorneys' fees.

"While broadening claims during prosecution to capture a competitor's products is not improper, the written description must support the broadened claims." Slip op. at 11.

On appeal, the Federal Circuit agreed with the district court's finding that substantial evidence supported the jury's verdict that the term "plate including a plurality of openings" lacked written description support. The Court noted that the district court, siding with Synthes, adopted a broader construction of "third plate

including a plurality of openings” as “the third plate including two or more openings to allow the fiber system to be joined or anchored to that plate.” Slip op. at 8. The Court further noted that the relevant claims included broad language added during prosecution. Indeed, Synthes amended the application that issued as the '270 patent to add the concept of “openings” in claim 29 nearly five years after the application was originally filed and after SK’s M6 devices were on the market. The Court stated that “[w]hile broadening claims during prosecution to capture a competitor’s products is not improper, the written description must support the broadened claims.” *Id.* at 11. “[T]he test for sufficiency is whether the disclosure of the application relied upon reasonably conveys to those skilled in the art that the inventor ha[d] possession of the claimed subject matter as of the filing date.” *Id.* at 12 (alterations in original) (quoting *Ariad Pharm., Inc. v. Eli Lilly & Co.*, 598 F.3d 1336, 1351 (Fed. Cir. 2010) (en banc)).

The Court found that the written description never disclosed anything broader than using grooves to anchor the fiber system to the cover plates. The Court noted that the parties agreed that “grooves” were a species of an “opening,” but the parties disagreed that “grooves” constituted an adequate disclosure to claim all openings that may be used in the cover plates to anchor the fiber system. The Court stated the jury did not believe “grooves” constituted an adequate disclosure and, “when all reasonable inferences are drawn in favor of the jury verdict, we must affirm that decision.” *Id.* at 14. Further, SK presented testimony regarding the “plurality of openings” limitation. The Court held that, based on this testimony, “it would not be evident that peripheral grooves on the cover plates would disclose to skilled artisans that internal slots would serve the same function.” *Id.* at 16. The Court explained that “[w]ritten description is a factual question, and whether the requirement is met ‘varies depending on the nature and scope of the claims and on the complexity and predictability of the relevant technology.’” *Id.* at 17 (quoting *Ariad*, 598 F.3d at 1351). Thus, the Court concluded that “[t]he jury was entitled to rely on the above testimony and evidence to conclude that the '270 patent’s written description does not support the broad plurality of openings limitation.” *Id.*

The Court also briefly addressed the predictability of the art in regard to the sufficiency of the disclosure. The Court stated that “predictability is a factual issue judged on a case-by-case basis.” *Id.* at 18. Here, the Court explained, the jury determined that in the field of intervertebral implants, the disclosure of peripheral grooves does not adequately demonstrate possession of the entire genus of possible openings. The Court held that because the jury’s finding in this matter was supported by substantial evidence, it must defer to that finding. Accordingly, the Court affirmed the district court’s denial of Synthes’s motion for JMOL that claims 29-31 of the '270 patent were invalid for lack of written description.

The Court next addressed SK’s claim for attorneys’ fees under 35 U.S.C. § 285. SK contended that it was entitled to an award of attorneys’ fees because Synthes brought objectively baseless allegations of infringement and validity, and continued to push those claims in the face of facts and claim construction rulings that made clear that Synthes’s claims were unsupported. SK further argued that Synthes engaged in litigation misconduct by taking a number of baseless positions on everything from claim construction arguments to damages theory. The Court, based on the totality of the record below, agreed with the district court that SK failed to demonstrate the exceptional nature of the case by clear and convincing evidence, and therefore affirmed the district court’s denial of SK’s motion for attorneys’ fees.

Judge Taranto disagreed with the majority’s determination and believed that SK failed as a matter of law to show by clear and convincing evidence that the asserted claims were invalid for lack of written description. Judge Taranto opined that “Spinal Kinetics offered no clear and convincing proof that the difference between the ‘openings’ of the claims and the grooves of the written description is one that (in the eyes of skilled artisans) has any effect, let alone an effect that is difficult to predict, on fulfillment of the identified purposes of the claims at issue.” Taranto Dissent at 1. Additionally, because Judge Taranto would reverse the judgment of invalidity, he addressed the judgment of noninfringement. Specifically, Judge Taranto was of the opinion that “the district court relied on an erroneous construction of the claim term ‘fiber system,’” which could not “be disregarded as one [the Court] can be confident had

no effect on the verdict of noninfringement, for the usual simple reasons.” *Id.* at 2.

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November 2013

Board's Failure to Consider Evidence of Knowledge of One of Skill in the Art Was Plainly Prejudicial

*Jonathan R.K. Stroud**

Judges: Rader, Dyk, Taranto (author)

[Appealed from Board]

In *Randall Manufacturing v. Rea*, No. 12-1611 (Fed. Cir. Oct. 30, 2013), the Federal Circuit held that the Board, in an inter partes reexamination, failed to consider a plethora of extrinsic evidence highly material to evaluating the motivation to combine references under 35 U.S.C. § 103, and thus vacated and remanded the case to the Board.

FG Products, Inc. ("FG") and Randall Manufacturing ("Randall") sell competing products for refrigerated trucks. The parties both manufacture movable, track-mounted cargo space partitions. FG owns U.S. Patent No. 7,214,017 ("the '017 patent"), directed to partitioning apparatuses that include two half-width panels independently mounted to the ceiling of a shipping container using rail-and-trolley assemblies.

Shortly after the '017 patent issued, Randall requested inter partes reexamination of the '017 patent. The examiner granted the request and subsequently rejected all fifteen original claims in the '017 patent. In response, FG amended or canceled its original claims and added seventy-eight new claims. The examiner allowed many of FG's new and amended claims, but rejected claims 10-12, 38-40, 48-56, 75-79, and 83-91 as obvious over a combination of four prior art references. Based on the four prior art references, the examiner concluded that all of the elements of the rejected claims were well known at the time of FG's application and that it would have been obvious to one of ordinary skill in the art to combine them. FG appealed the obviousness rejections to the Board. In its briefing, Randall presented evidence of what one of ordinary skill in the art would have known, including a host of references that had been considered by the examiner—some of which provided the examiner's basis for rejecting FG's original claims. In its decision, the Board did not consider the background references cited by Randall as evidence of the knowledge of one of skill in the art. Instead, relying only on the same four prior art references as the examiner, the Board reversed the examiner on the rejections for claims 11, 12, 38-40, 48-56, 75-79, and 83-91, finding a lack of motivation for one of ordinary skill in the art to combine all four references. Addressing claim 10 separately, the Board concluded that the "means for separating" and the "means for mounting" the claim are means-plus-function terms, and thus limited to the structures described in the specification (and their equivalents) for performing the claimed functions. Randall appealed the Board's decision.

"In recognizing the role of common knowledge and common sense, we have emphasized the importance of a factual foundation to support a party's claim

about what one of ordinary skill in the relevant art would have known. One form of evidence to provide such a foundation, perhaps the most reliable because not litigation-generated, is documentary evidence consisting of prior art in the area.” Slip op. at 12 (citations omitted).

On appeal, the Federal Circuit first noted that the Supreme Court has “criticized a rigid approach to determining obviousness based on the disclosures of individual prior-art references,” and in “[r]ejecting a blinkered focus on individual documents,” has “required an analysis that reads the prior art in context.” Slip op. at 11 (citing *KSR Int’l Co. v. Teleflex Inc.*, 550 U.S. 398, 415-22 (2007)). The Court held that, “[b]y narrowly focusing on the four prior-art references cited by the examiner and ignoring the additional record evidence Randall cited to demonstrate the knowledge and perspective of one of ordinary skill in the art, the Board failed to account for critical background information that could easily explain why an ordinarily skilled artisan would have been motivated to combine or modify the cited references to arrive at the claimed inventions.” *Id.* at 12.

The Court indicated the emphasis it has placed on the importance of a factual foundation to support a party’s claim about what one of ordinary skill in the relevant art would have known. The Court stated that Randall relied on just such evidence in citing to extensive references of record showing a familiar, even favored, approach to bulkhead stowage. The Court found that the references constituted important evidence of the state of the art and the context in which the examiner-cited combination should be evaluated. On the present record, the Court stated, “[T]he Board’s finding of lack of motivation to combine [was] infected by prejudicial error.” *Id.* at 14. “Particularly when viewed in the context of the background references Randall provided, the evidence strongly supports the notion that the bulkhead design FG claimed was nothing more than the ‘combination of familiar elements according to known methods,’ ‘each performing the same function it had been known to perform,’ ‘yield[ing] predictable results.’” *Id.* (alteration in original) (quoting *KSR*, 550 U.S. at 416-17). Additionally, the Court noted, neither FG nor the Board pointed to any objective indicia of nonobviousness. Accordingly, the Court vacated the Board’s reversal of the examiner’s rejection of claims 11, 12, 38-40, 48-56, 75-79, and 83-91 for obviousness.

Finally, the Court stated that it need not address the issues on appeal with respect to claim 10 because its conclusion that the Board committed prejudicial error in its analysis of the obviousness of the prior art combination affects the ultimate obviousness analysis of claim 10. Accordingly, the Court vacated the Board’s determination of nonobviousness of claim 10 along with its determination as to the other claims-at-issue.

**Jonathan R.K. Stroud is a Law Clerk at Finnegan.*

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Looking Ahead

On November 5, 2013, the U.S. Supreme Court heard oral argument in *Medtronic Inc. v. Boston Scientific Corp.*, No. 12-1128, regarding whether the burden of proof in a DJ action should be on the patent owner to provide infringement or on the accused infringer to prove noninfringement. Ordinarily, a patent owner bears the burden of proving infringement, and a DJ action does not shift that burden. However, the Federal Circuit held that for *MedImmune* DJ actions (where a licensee of a patent seeks a DJ that the patent is invalid), the party bringing the DJ action, as the party seeking to change the status quo under the license, has the burden of proving noninfringement. Medtronic Inc. appealed the Federal Circuit's ruling, arguing that it is well settled that the burden does not shift in standard DJ actions, and an exception should not be made for *MedImmune* DJ actions.

The Supreme Court is expected to rule on the case by the end of June 2014. Stay tuned to future editions of *Last Month at the Federal Circuit* to see how the Supreme Court's decision will affect Federal Circuit analysis.

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Spotlight Info

In *Intellect Wireless, Inc. v. HTC Corp.*, No. 12-1658 (Fed. Cir. Oct. 9, 2013), the Federal Circuit affirmed the district court's judgment that patents asserted by Intellect Wireless, Inc. were unenforceable due to inequitable conduct. The Court held that the inventor, Mr. Daniel Henderson, had engaged in affirmative egregious misconduct by filing a declaration that falsely asserted that the claimed invention had been reduced to practice and demonstrated, and then by failing in a revised declaration to expressly negate those misrepresentations. The Federal Circuit concluded this conduct established both materiality and specific intent to deceive the PTO. See this month's edition of *Last Month at the Federal Circuit* for a full summary of this decision.

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