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Last Month at the Federal Circuit

July 2014



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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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Dissatisfaction with the Board’s Decision Is Insufficient to Establish an Injury in Fact for Article III Standing

*Ashley M. Winkler**

Judges: Prost, Rader (author), Hughes
[Appealed from Board]

In *Consumer Watchdog v. Wisconsin Alumni Research Foundation*, No. 13-1377 (Fed. Cir. June 4, 2014), the Federal Circuit dismissed Consumer Watchdog’s appeal of the Board’s decision affirming the patentability of claims 1-4 of U.S. Patent No. 7,029,913 (“the ’913 patent”), holding that Consumer Watchdog failed to establish an injury in fact necessary for Article III standing.

Consumer Watchdog requested inter partes reexamination of the ’913 patent, which is owned by the Wisconsin Alumni Research Foundation (“WARF”) and directed to human embryonic stem cell cultures. Consumer Watchdog, a self-described not-for-profit public charity, stated that it filed the reexamination out of concern that the ’913 patent allowed WARF to completely preempt all uses of human embryonic stem cells. The reexamination resolved in favor of WARF, and Consumer Watchdog appealed.

“While Consumer Watchdog is sharply opposed to the Board’s decision and the existence of the ’913 patent, that is not enough to make this dispute justiciable.” Slip op. at 8.

On appeal, the Federal Circuit held that Consumer Watchdog failed to allege an injury in fact sufficient to confer Article III standing for its appeal. Specifically, the Court observed that Consumer Watchdog did not allege any activity involving human embryonic stem cells or any other connection to the ’913 patent or its claimed subject matter. Rather, the Court concluded, the only injury alleged by Consumer Watchdog was “the Board denying [it] the particular outcome it desired in the reexamination, i.e., canceling the claims of the ’913 patent.” Slip op. at 5. Acknowledging Congress’s ability to create legal rights through statute, the Court nevertheless concluded that “the Board’s disagreement with Consumer Watchdog did not invade any legal right conferred by the inter partes reexamination statute.” *Id.* at 6. Rather, the Court explained, the inter partes reexamination statute allowed a third party to request reexamination, and where the request was granted, a right to participate, but did not guarantee a favorable outcome for the requestor.

The Federal Circuit rejected Consumer Watchdog’s argument analogizing the inter partes reexamination statute to the Freedom of Information Act (“FOIA”) and the Federal Election Campaign Act (“FECA”). According to the Court, both FOIA and FECA created substantive legal rights—access to certain government records—that, if denied, lead to a concrete and particularized injury in fact. Here, the Court explained, Consumer Watchdog was not denied anything to which it was entitled since Consumer

Watchdog was permitted to request reexamination and to participate once the PTO granted the request.

The Federal Circuit also held that the procedural right in 35 U.S.C. § 315(b), which allows a third-party requestor to appeal a Board's decision favorable to patentability, did not eliminate the requirement that Consumer Watchdog have a particularized, concrete stake in the outcome of the reexamination. The Court did, however, clarify that the statutory grant of a procedural right may relax Article III's requirements of immediacy and redressability, and eliminate any prudential limitations, distinguishing its present inquiry from that governing a DJ action.

Finally, the Court held that, in the case of Consumer Watchdog, the inter partes reexamination statute's estoppel provisions did not constitute an injury in fact for Article III purposes. Leaving open the possibility of a different result in other circumstances, the Court concluded that since Consumer Watchdog was not engaged in any activity that could give rise to an infringement suit and had only "a general grievance against the '913 patent, the 'conjectural or hypothetical' nature of any injury flowing from the estoppel provisions was insufficient to confer standing upon Consumer Watchdog." *Id.* at 7.

Accordingly, the Court held that because Consumer Watchdog failed to assert a particularized, concrete interest in the patentability of the '913 patent or an injury in fact flowing from the Board's decision, it dismissed the appeal for lack of Article III standing.

**Ashley M. Winkler is a Summer Associate at Finnegan.*

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Limits to Enjoining Trademark Infringement Do Not Necessarily Preclude Standing to Cancel the Trademark Registration Before the TTAB

Mandy J. Song

Judges: Rader (author), Taranto, Hughes
[Appealed from TTAB]

In *Empresa Cubana Del Tabaco v. General Cigar Co.*, No. 13-1465 (Fed. Cir. June 4, 2014), the Federal Circuit vacated the TTAB's SJ decision that Empresa Cubana Del Tabaco (d/b/a Cubatabaco) ("Cubatabaco") lacked standing to seek cancellation of trademark registrations owned by General Cigar Co., Inc. ("General Cigar"). Though not decided by the TTAB, the Court also held that neither issue nor claim preclusion barred Cubatabaco's Amended Petition to seek cancellation. Accordingly, the Court remanded for proceedings consistent with its opinion.

General Cigar is a Delaware corporation that owns two trademark registrations for the COHIBA mark for use in connection with cigars ("the Registrations"). Cubatabaco is a Cuban entity that owns the COHIBA mark in Cuba and supplies cigars bearing that mark throughout the world, except the United States, where the Cuban Assets Control Regulations ("CACR") prohibits such sales. CACR also prohibits a "transfer of property rights . . . to a Cuban entity by a person subject to the jurisdiction of the United States." Slip op. at 3 (quoting 31 C.F.R. § 515.201(b)). The CACR is, however, subject to exceptions: it authorizes Cuban entities to obtain a general or specific license to engage in certain otherwise prohibited transactions, such as "transactions 'related to the registration and renewal' of trademarks" before the PTO. *Id.* (quoting 31 C.F.R. 515.527(a)(1)).

Under a CACR general license, Cubatabaco attempted to register the COHIBA mark in the United States based on its registration of the same mark in Cuba. The PTO cited General Cigar's Registrations as grounds for refusing Cubatabaco's registration due to a likelihood of confusion, and Cubatabaco filed a petition to cancel the Registrations. Cubatabaco also commenced litigation against General Cigar in the Southern District of New York, alleging trademark infringement and seeking, *inter alia*, to enjoin General Cigar's use of the COHIBA mark in the United States and to cancel General Cigar's competing Registrations. The TTAB suspended the cancellation proceedings pending the outcome of the district court action. The district court canceled the Registrations and permanently enjoined General Cigar's use of the COHIBA mark. On appeal, the Second Circuit vacated the cancellation and the injunction, holding that Cubatabaco could not obtain the injunctive relief it sought because the remedy would entail a prohibited transfer of property under the CACR since Cubatabaco would acquire ownership of the underlying mark.

The TTAB proceedings then resumed. Cubatabaco filed an Amended Petition, and General Cigar moved for SJ on the grounds that Cubatabaco lacked standing and that the principles of issue and claim preclusion barred Cubatabaco's Amended Petition. The TTAB granted the motion, finding that Cubatabaco lacked standing in light of the Second Circuit's decision, but expressly noting that it did not need to reach the merits of the preclusion claims.

“Cubatabaco therefore has a legitimate interest in the cancellation of the Registrations that are causing Cubatabaco damage by blocking its application. Indeed, if Cubatabaco proves successful in the cancellation proceedings, Cubatabaco could obtain registration of the COHIBA mark.” Slip op. at 9.

On appeal, the Federal Circuit reversed. The Court noted that though the TTAB declined to address the preclusive effect of the Second Circuit’s decision, the TTAB relied exclusively on that decision to find that Cubatabaco lacked standing. The Court then explained that the Second Circuit decided only that the CACR limited the federal courts’ authority to grant Cubatabaco injunctive relief, a finding that not only did not bar Cubatabaco from ever acquiring any property interest in the COHIBA mark, but also was irrelevant to the proceedings before the TTAB, where Cubatabaco had affirmative authorization to seek cancellation of the Registrations under a CACR general license. Furthermore, according to the Court, Cubatabaco had a legitimate commercial interest in the COHIBA mark. Because the TTAB had refused registration of Cubatabaco’s own pending trademark application based on a likelihood of confusion with General Cigar’s Registrations, the Court held that Cubatabaco had a statutory cause of action under the Lanham Act to seek cancellation of the Registrations.

The Court separately addressed General Cigar’s issue and claim preclusion arguments. As a preliminary matter, the Court held that it had authority to resolve these questions of law for the first time on appeal since they were fully briefed by the parties based on an extensive record. The Court then held that neither issue nor claim preclusion barred any of the grounds for which Cubatabaco sought cancellation of the Registrations. Regarding issue preclusion, the Court concluded that, at a minimum, the issues that Cubatabaco raised were not addressed by, or necessary to, the Second Circuit’s final judgment. Regarding claim preclusion, the Court explained that the Second Circuit never issued a final decision on cancellation and that the transactional facts differed in Cubatabaco’s cancellation proceedings before the TTAB.

The Federal Circuit thus vacated the TTAB’s SJ decision, holding that Cubatabaco had a cause of action to seek cancellation of the Registrations that was not barred by issue or claim preclusion, and remanding for further proceedings consistent with its opinion.

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Disputes over Product Ownership Are Not Appealable to the Federal Circuit Unless They Require Resolution of a Substantial Question of Patent Law

*Rahul Sarkar**

Judges: Lourie, Clevenger, Dyk (author)

[Appealed from S.D. Fla., Judge Marra]

In *Krauser v. BioHorizons, Inc.*, No. 13-1461 (Fed. Cir. June 4, 2014), the Federal Circuit held that it lacked jurisdiction over the district court’s decision that Jack T. Krauser did not have any ownership rights to a dental implant system manufactured by BioHorizons, Inc., BioLok International, Inc. (“BioLok”), and BioHorizons Implant Systems, Inc. (collectively “BHI”). The Court then transferred the appeal to the Eleventh Circuit.

Krauser is the named inventor of U.S. Patent No. 5,316,476 (“the Krauser patent”), which claims a component of a dental implant system that Krauser allegedly developed with Leon Shaw, President of Minimatic Implant Technology, Inc. (“Minimatic”), BHI’s predecessor. Minimatic also secured two patents covering dental implant systems, naming Shaw as the sole inventor (“the Shaw patents”). Following a dispute over royalties, Krauser filed multiple lawsuits against Minimatic, including a suit for ownership rights in state court, all of which settled after Minimatic filed for bankruptcy. Under the settlement, Krauser conditionally granted Minimatic a ten-year license to the Krauser patent and to “any and all rights he may have . . . [to] the dental implant system currently before manufactured by [Minimatic]” in exchange for royalties from sales of the dental implant products. Slip op. at 5 (alterations in original) (citation omitted). Minimatic emerged from bankruptcy as BioLok and later issued several patents on dental implant systems (“the BioLok patents”).

After BHI allegedly failed to pay royalties, Krauser sued BHI in Florida state court, seeking a declaration that Krauser was the inventor and owner of subject matter set forth in the Shaw and BioLok patents. BHI removed the case to federal district court based on diversity of citizenship and patent jurisdiction based on Krauser’s inventorship claims. After removal, Krauser filed a Second Amended Complaint, withdrawing his inventorship claims and restricting his claims to ownership rights in BHI’s dental implant system. After the district court granted BHI’s motion for SJ, Krauser appealed to the Eleventh Circuit, which transferred the case to the Federal Circuit based on the Court’s exclusive appellate jurisdiction over matters arising under federal patent law.

“Given that there is no federal issue in this case, an exercise of federal question jurisdiction would certainly disrupt ‘Congress’s intended division of labor between state and federal courts.’” Slip op. at 11 (quoting *Gunn v. Minton*, 133 S. Ct. 1059, 1065 (2013)).

On appeal, the Federal Circuit revisited the jurisdictional question and refused to recognize the Eleventh Circuit's transfer decision as law of the case, concluding that there was no plausible basis for the Court's jurisdiction. The Court first held that the existence of inventorship claims in Krauser's original complaint did not support the Court's exercise of jurisdiction. The Court explained that, although it was undisputed that Krauser's original inventorship claim arose under federal patent law and was subject to the Court's appellate jurisdiction, because Krauser's "Second Amended Complaint did not contain any claims which depended 'on resolution of a substantial question of federal patent law,'" it deprived the Court of jurisdiction over the case. *Id.* at 10 (quoting *Christianson v. Colt Indus. Operating Corp.*, 486 U.S. 800, 809 (1988)).

The Federal Circuit next held that Krauser's ownership theories, while not entirely clear, also did not support the Court's jurisdiction since the theories did not rest on a theory of inventorship or require resolution of any issue of patent law. According to the Court, "[t]he resolution of the inventorship question is neither 'necessary' nor 'substantial' to the case" since other claims may entitle Krauser to royalties "even if he is not listed as an 'inventor' on the face of the patent." *Id.* at 11.

Finally, the Federal Circuit held that even if Krauser's ownership claims were preempted by federal patent law, this did not give the Court jurisdiction. The Court explained that because federal preemption is ordinarily a federal defense, "it does not appear on the face of a well-pleaded complaint, and, therefore, does not authorize removal to federal court." *Id.* at 11-12 (quoting *Metro. Life Ins. Co. v. Taylor*, 481 U.S. 58, 63 (1987)).

Accordingly, the Court held that it did not have jurisdiction over Krauser's appeal and transferred the case back to the Eleventh Circuit.

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Finding of Anticipation Reversed When a Value Is Affected by Other Indeterminate Sources

Ming W. Choy

Judges: Rader, Moore, Reyna (author)

[Appealed from Board]

In *In re Rambus, Inc.*, No. 13-1192 (Fed. Cir. June 4, 2014), the Federal Circuit reversed the Board's finding that claims 26 and 28 of U.S. Patent No. 6,426,916 ("the '916 patent") were anticipated by U.S. Patent No. 4,734,909 to Bennett ("the Bennett patent").

The '916 patent discloses a method and system for improving the efficiency of computer memory. In particular, the '916 patent is addressed to improving a memory transfer system between different memory devices. The transfer may occur over a series of wires called a "bus." Signals transferred over a bus can be either "multiplexed" or "dedicated," depending on the device. When two memory devices want to send data over the same bus, a process called "arbitration" determines which memory device goes first. The '916 patent attempts to improve memory transfer systems using an external clock to synchronize the timing of data transfers and, for a particular transfer request, delaying the transfer by a specific, known amount of time.

During inter partes reexamination, the examiner found that the Bennett patent did not disclose "a value that is representative of an amount of time to transpire after which the memory device outputs the first amount of data." Slip op. at 4. On appeal to the Board, the Board reversed the examiner's finding and determined that a value, Parameter VI, of the Bennett patent disclosed this amount of time, and that the Bennett patent anticipated claims 26 and 28 of the '916 patent. *Rambus, Inc.* ("Rambus") appealed.

"A value cannot 'represent' an 'amount of time' if there are additional factors, wholly unrepresented by that value, that necessarily impact, or represent, the 'amount of time.'" Slip op. at 8.

On appeal, the Federal Circuit reversed the Board's anticipation finding. The Court first noted that because the reexamination proceeding involved claims of an expired patent, the claim construction standard from *Phillips v. AWH Corp.*, 415 F.3d 1303 (Fed. Cir. 2005), applied instead of the broadest reasonable interpretation.

The Court then reviewed the Board's finding of anticipation. The Court discussed and rejected the Board's finding that Figures 25a and 25b of the Bennett patent included a known delay of one clock cycle before data transfer. The Court agreed with Rambus that Figure 25a represented a simplified, hypothetical illustration of how the Bennett patent's invention worked in theory and was not a schematic

of how the Bennett patent works. The Court explained that Parameter VI of the Bennett patent represented only one source of delay and that the actual delay can be longer due to other factors. The Court reasoned that changing the value of Parameter VI did not necessarily create a one-clock-cycle delay because the arbitration of the Bennett patent may take an indefinite amount of time if a memory device loses arbitration on successive occasions. The Court also noted that a memory device having dedicated lines may also have a longer delay than one having multiplexed lines due to wait signals. Based on these “two additional, indefinite, sources of delay,” the Court concluded that changing the value of Parameter VI did not produce a set amount of time after which the data is transferred. Slip op. at 8. The Court then held that Parameter VI of the Bennett patent was not “‘representative’ of an amount of time after which data is transferred,” as recited in claim 26 of the '916 patent. *Id.*

Next, the Court considered the Board’s finding that some embodiments of the Bennett patent met the claim limitation at issue. The Court rejected the Board’s finding, reasoning that “[a] value cannot ‘represent’ an ‘amount of time’ if there are additional factors, wholly unrepresented by that value, that necessarily impact, or represent, the ‘amount of time.’” *Id.* The Court then reversed the Board’s finding that the Bennett patent anticipated claims 26 and 28 of the '916 patent.

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Rule 11 Sanctions Upheld for Lack of Reasonable Claim Construction Argument and Failure to Conduct Presuit Inquiry

*David C. Seastrunk**

Judges: Moore, Reyna, Wallach (author)

[Appealed from S.D.N.Y., Judge McMahon]

In *Source Vagabond Systems Ltd. v. Hydrapak, Inc.*, Nos. 13-1270, -1387 (Fed. Cir. June 5, 2014), the Federal Circuit affirmed the district court's orders imposing sanctions under Rule 11 against Source Vagabond Systems Ltd. and its attorneys (collectively "Source"), holding that Source's claim construction and infringement positions were untenable, and that Source did not make reasonable arguments and did not make a reasonable inquiry into its claims against Hydrapak, Inc. ("Hydrapak").

Source is the assignee of U.S. Patent No. 7,648,276 ("the '276 patent") relating to flexible hydration reservoirs, focusing specifically on sealing mechanisms for reservoirs. The sealing mechanism described in the '276 patent contains a rod in a hollow cylinder over which the top portion of a container is folded, and a slot in the cylinder to create a hermetic seal. The asserted claim of the '276 patent contains the limitation that "the slot [is] narrower than the diameter of the rod, so that the sealer is only to be slidingly mounted sideways over the rod." Slip op. at 3 (emphasis and citation omitted). Hydrapak manufactures the Reversible Reservoir II flexible hydration reservoir. The Reversible Reservoir II product includes a "sealing member, called a 'slider,' with an opening or gap along its long axis." *Id.* at 5. The slider attaches to elements, called "catches," located on plastic lips that "run along each side of the water reservoir's mouth." *Id.*

Source sued Hydrapak, alleging infringement of the '276 patent by Hydrapak's Reversible Reservoir II. In response, Hydrapak filed a motion for sanctions under Rule 11. Both parties then filed cross-motions for SJ with respect to infringement. The district court granted Hydrapak's motions for SJ of noninfringement and Rule 11 sanctions, finding that Source's claim for literal infringement lacks support "no matter how the claim was construed." *Id.* at 7 (citation omitted). Source filed two appeals, one appealing the district court's denial of a motion to reconsider the Rule 11 order and one on the merits decision. Source subsequently terminated the motion for reconsideration appeal. The Federal Circuit summarily affirmed the district court's SJ motion. In parallel with Source's merits appeal, the district court found two interrelated violations of Rules 11(b)(2) and 11(b)(3), and awarded Hydrapak attorneys' fees. Source appealed the Rule 11 sanctions determination.

"Source had the ability to draft the claim that way but did not. It cannot correct that failure by adding words to otherwise unambiguous claim language." Slip op. at 12.

On appeal, the Federal Circuit affirmed the district court's ruling imposing sanctions under Rules 11(b)(2) and 11(b)(3). The Court first examined the district court's claim construction and did not disturb the district court's construction on appeal. The Court rejected Source's proposed construction that "the slot/rod limitation . . . should be construed to mean 'the slot is narrower than the diameter of the rod together with the container folded over it, so that the sealer is only to be slidably mounted sideways over the rod *and the container*.'" *Id.* at 11-12 (citation omitted). The Court found that Source's attorneys added words to the actual claim language, changing the relevant comparison from the slot to the diameter of the rod to a comparison of the slot to the diameter of the rod and the thickness of the container folded over the rod. The Court also determined that Source's added language did not have support in the specification or prosecution history and altered the "otherwise unambiguous claim language, a practice [the Court] has repeatedly rejected." *Id.* at 12.

The Court disagreed that the claim language was ambiguous. The Court noted that Source did not explain what terms were ambiguous or how the terms were ambiguous. The Court also determined that the patentee had not acted as his own lexicographer and there was no indication in the specification that the term "rod" meant "rod-plus-container." *Id.* at 13. The Court then rejected Source's assertion that the patent's drawings supported Source's construction because "patent drawings do not define the precise proportions of the elements depicted and may not be relied on to show particular sizes if the specification is completely silent on the issue." *Id.* (quoting *Hockerson-Halberstadt, Inc. v. Avia Grp. Int'l, Inc.*, 222 F.3d 951, 956 (Fed. Cir. 2000)). The Court also examined the prosecution history of the '276 patent and determined that the claim language was amended to narrow the claim "by excluding any device in which the slot is not narrower than the diameter of the rod," further contradicting Source's claim construction. *Id.* at 14 n.3.

The Court next considered Source's argument that its proposed construction avoids a nonsensical result. The Court reiterated that courts may not rewrite claims, even if construing them under their plain and ordinary meaning would lead to a nonsensical result. The Court noted that it would be improper to rely on the purpose of the invention and that the district court properly determined that "claim construction is a function of the words of the claim[,] not the 'purpose' of the invention." *Id.* at 15 (citation omitted). The Court further explained that Source was required to perform an objective evaluation of the claim terms to satisfy its obligation to conduct a reasonable presuit evaluation. Because Source's proposed definition ignored the canons of claim construction, Source did not meet this standard, and the Court held that the district court did not abuse its discretion in imposing Rule 11(b)(2) sanctions based on Source's claim construction arguments.

Next, the Court held that the district court did not abuse its discretion in finding that, even under Source's proposed claim construction, Source had no reasonable basis for alleging that Hydrapak's product literally infringed. The Court noted that Source's opposition to the Rule 11 sanctions "lacked any analysis or product measurement and calculation" to support a finding that Source's attorneys performed a sufficient analysis to support a reasonable belief of literal infringement, even under Source's construction. *Id.* at 16. The Court found that Source "failed to offer any legitimate evidence supporting a reasonable belief that it had a meritorious direct infringement claim." *Id.* The Court also rejected Source's argument that the district court abused its discretion because it did not address the "catches" in Hydrapak's product. The Court noted that the catches were "discrete elements" from the "plastic lips" and that "the catches do not go onto the portion of the container that is folded over the rod, as is required by Source's proposed claim construction." *Id.* at 17. The Court then held that the district court did not abuse its discretion in imposing sanctions under Rule 11.

Finally, the Court examined Source's argument that Hydrapak's Reversible Reservoir II infringed under the DOE. The Court concluded that Source failed to offer any legal or factual support for its conclusion, and that Source was "obligated to come forward with a showing of exactly why, prior to filing suit, they believed their claim" was reasonable. *Id.* at 18. Accordingly, the Court affirmed the district court's finding of a Rule 11(b)(3) violation.

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Suit Dismissed for Lack of Standing Because All Patent Co-owners Must Join Suit

Robert A. Hall

Judges: Newman (dissenting), Rader (author), Dyk

[Appealed from D.N.M., Judge Brack]

In *STC.UNM v. Intel Corp.*, No. 13-1241 (Fed. Cir. June 6, 2014), the Federal Circuit held that STC.UNM (“STC”) lacked standing to maintain its suit and affirmed the district court’s dismissal of the case.

STC sued Intel Corp. (“Intel”) for infringement of U.S. Patent No. 6,042,998 (“the ’998 patent”). The ’998 patent was filed after U.S. Patent No. 5,705,321 (“the ’321 patent”) and was designated as a CIP of the ’321 patent. Three inventors of the ’321 patent—Steven Brueck, Saleem Zaidi, and An-Shyang Chu—were employed by the University of New Mexico (“UNM”). The fourth inventor, Bruce Draper, was employed by Sandia Corp. (“Sandia”). All inventors executed a joint assignment to UNM of the application that issued as the ’321 patent, but the assignment erroneously defined all assignors as employees of UNM. UNM later executed an assignment to Sandia to correct Draper’s prior assignment to UNM, referencing the invention that led to the ’321 patent and transferring to Sandia “those rights and interests previously assigned to [UNM] by Bruce Draper . . . and to any and all Patents which may be issued thereon . . . and to any and all divisions, reissues, continuations, and extensions.” Slip op. at 3 (alteration in original) (citation omitted).

While the application that led to the ’321 patent was pending, two of the UNM inventors continued their research and filed the application that led to the ’998 patent. This application incorporated the ’321 patent by reference, but did not claim priority to any earlier-filed application. UNM obtained assignments from both inventors. Sandia’s employee, Draper, was not listed as an inventor to the ’998 patent. During prosecution, the PTO rejected the claims of this application for double patenting over the ’321 patent, which shared two common inventors. To overcome these double-patenting rejections, UNM filed a terminal disclaimer specifying that any patent granted on this instant application shall be enforceable only while the ’998 and ’321 patents “are commonly owned.” *Id.* at 4 (citation omitted). In the terminal disclaimer, UNM stated that it was “the owner of record of a 100 percent interest in the instant application.” *Id.* (citation omitted). The ’998 patent issued on March 28, 2000.

UNM subsequently assigned its own interest in the ’321 and ’998 patents to STC—a wholly owned licensing arm of UNM. In 2008, STC corrected the inventorship of the ’998 patent to include two additional inventors, Steve Hersee and Kevin Malloy. Hersee and Malloy were employees of UNM at the time of invention and assigned their interests in the ’998 patent to UNM. STC also successfully sought a certificate of correction from the PTO to indicate that the ’998 patent is a CIP of the ’321 patent. STC held itself out as the sole owner of the ’998 patent, licensed the ’998 patent, and asserted the ’998 patent without Sandia. In 2010, STC filed suit asserting the ’998 patent against Intel. Sandia was not named as a coplaintiff.

Intel asserted that STC could not enforce the ’998 patent under the terms of the terminal disclaimer,

which required identical ownership of both the '321 and '998 patents. In response, STC contended that Sandia co-owned the '998 patent either from UNM's assignment of Draper's interest to Sandia or by formal designation of the '998 patent as a CIP of the '321 patent. In December 2011, STC also "assign[ed] an undivided interest in each of the '321 and '998 patents to Sandia." *Id.* at 5 (alteration in original) (citation omitted).

Intel moved for SJ, asserting that the '998 patent was unenforceable for failing to comply with the common-ownership requirement of the terminal disclaimer. The district court found that Sandia did not co-own the '998 patent with UNM or STC at any point prior to the December 2011 assignment. Intel and STC then cross-moved on the issue of standing, given Sandia's co-ownership of the '998 patent (since at least December 2011) and absence from the case. Sandia refused to join the case. The district court granted Intel's motion and dismissed STC's suit for lack of standing. STC appealed.

“To remove any doubt, this court holds that the right of a patent co-owner to impede an infringement suit brought by another co-owner is a substantive right that trumps the procedural rule for involuntary joinder under Rule 19(a).” Slip op. at 11.

On appeal, the Federal Circuit affirmed the district court's dismissal, applying "the rule that a patent co-owner seeking to maintain an infringement suit must join all other co-owners." *Id.* at 7. The Court also noted that its decision in *Ethicon, Inc. v. U.S. Surgical Corp.*, 135 F.3d 1456 (Fed. Cir. 1998), held that "co-owners must ordinarily consent to join as plaintiffs in an infringement suit." Slip op. at 7 (quoting *Ethicon*, 135 F.3d at 1468). The Court rejected STC's argument that the Court's holding in *Ethicon* should yield to Rule 19(a)'s involuntary joinder test. The Court explained that *Ethicon*'s holding that substantive patent law normally requires co-owners to consent to suit was not dictum, as asserted by STC. Examining its *Ethicon* decision, the Court noted that the licenses at issue in *Ethicon* could not eliminate the claim of a co-owner to allege past infringement. As a result, the *Ethicon* decision applied the "settled principle" that an "action for infringement must join as plaintiffs all co-owners." *Id.* at 10 (quoting *Ethicon*, 135 F.3d at 1467). The Court then held that "the right of a patent co-owner to impede an infringement suit brought by another co-owner is a substantive right that trumps the procedural rule for involuntary joinder under Rule 19(a)." *Id.* at 11.

The Court next found that, although there are instances where the rule against involuntary joinder of a patent owner or co-owner can be overcome, neither applied in this case. The Court noted that each of the recognized exceptions relies on an absent co-owner affirmatively giving up its substantive right to refuse to join the suit, whereas in this case, Sandia has affirmatively and consistently retained this right. Accordingly, the Court held that "because Sandia has not voluntarily joined this suit, and because no exception to this general substantive rule applies, STC lacks standing to maintain its suit against Intel." *Id.* at 12.

Because STC could not maintain its suit without Sandia due to its lack of standing, the Court declined to address the appealed ownership issues concerning the '998 patent.

Judge Newman dissented. Judge Newman acknowledged that, under precedent, all entities with the right to enforce a patent are necessary parties to an enforcement action. Judge Newman argued, however, that Rule 19(a) is not permissive because the word "must" appears in each section. Newman Dissent at 2. Judge Newman asserted that there was no support for the panel majority's "holding that [a] co-owner of a patent cannot be involuntarily joined in an infringement suit and can thereby, by its absence, bar the suit." *Id.* at 8.

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Board Erred by Not Issuing New Ground of Rejection for Similar Claims When It Had Knowledge of the Rejection on Appeal

Ming W. Choy

Judges: Lourie (author), Bryson, Hughes
[Appealed from Board]

In *Q.I. Press Controls, B.V. v. Lee*, Nos. 12-1630, -1631 (Fed. Cir. June 9, 2014), the Federal Circuit affirmed the Board's decisions finding claims 61-72 of U.S. Patent No. 6,867,423 ("the '423 patent") invalid under 35 U.S.C. § 103; claim 18 invalid for failing to meet the written description requirement under 35 U.S.C. § 112, first paragraph; and claims 14 and 24 as not invalid for having met the written description requirement. The Court also vacated and remanded the Board's decision upholding the validity of claims 1-60 of the '423 patent under § 103.

Quad/Tech, Inc. ("Quad/Tech") owns the '423 patent, which relates to a visual inspection system for printing presses. The '423 patent discloses an imaging system that uses an image sensor system containing an optical sensor to inspect printed pages (the "substrate") for defects, such as misalignments or poor color, and to change the printing process to correct those errors. Claim 1 of the '423 patent recites, among other things, an illumination system including "a plurality of LEDs . . . in a circular configuration." Slip op. at 4. Claims 14 and 24 are similar to claim 1, but require that the "LEDs are disposed between the sensor and the substrate of the printing press." *Id.* at 4-5 (citation omitted). Claim 18 is also similar to claim 1, but adds the requirement that "the substrate . . . is unsupported at the point where the substrate is configured to be illuminated by the illumination arrangement." *Id.* at 5 (citation omitted). Claim 61 is representative of claims 61-72 and includes an illumination system including "a plurality of LEDs that are disposed in a configuration surrounding the optical communication path between the substrate and the image recording device." *Id.* (citation omitted).

Q.I. Press Controls, B.V. ("Q.I. Press") develops optical measure and control systems, including a product that Quad/Tech alleged to infringe the '423 patent. Q.I. Press initiated an inter partes reexamination of the '423 patent, asserting that the claims of the '423 patent would have been obvious over various prior art references, including U.S. Patent No. 6,605,819 to Ross ("Ross"); U.S. Patent No. 6,668,144 to Maruyama ("Maruyama"); and U.S. Patent No. 4,887,530 to Sainio ("Sainio"). Ross discloses a circular LED lighting system around an optical sensor, with the LEDs being lit in four separate pairs of different colored lights. Maruyama discloses an optical sensor to visually analyze and gather data from a sheet lit by an LED lighting system in a photocopier or printer. Sainio discloses a system including an optical image scanner in a printing press to detect errors in the printing process using a high intensity light.

During reexamination of the '423 patent, the examiner rejected original claims 1-12 over various combinations of prior art. Quad/Tech amended claims 5, 9, and 12, and added new claims 13-72. The examiner closed prosecution and made final rejections of all seventy-two claims, including claims 1-4, 7-15, 17, and 18 as obvious over Maruyama in view of Ross, and claims 61-64, 71, and 72 as obvious over

Sainio in view of Ross. The remaining claims were rejected as obvious over these references, combined with other prior art. The examiner rejected claims 14, 18, and 24 for failing to satisfy the written description requirement under § 112, first paragraph. On appeal to the Board, the Board affirmed the examiner's obviousness rejection of claims 61-72 and the rejection of claim 18 under § 112, first paragraph. The Board reversed the examiner's obviousness rejection of claims 1-17 and 19-60 based on Ross and Maruyama. The Board also reversed the examiner's rejection of claims 14 and 24 under § 112, first paragraph. Q.I. Press appealed the Board's reversal of the examiner's obviousness rejection of claims 1-17 and 19-60, and the written description rejection of claims 14 and 24. Quad/Tech cross-appealed the Board's affirmance of the examiner's obviousness rejection of claims 61-72 and the written description rejection of claim 18.

“[W]e do find that in this instance, in which nearly identical claims were found both valid and invalid due to similar combinations of prior art resulting in a Board opinion that was seemingly inconsistent, the Board erred by not considering the combination of Sainio and Ross as a new ground for rejection of claims 1-60.” Slip op. at 19.

On appeal, the Federal Circuit first addressed Quad/Tech's cross-appeal of the Board's finding that claims 61-72 of the '423 patent were obvious. The Court noted that the “combination of familiar elements according to known methods is likely to be obvious when it does no more than yield predictable results.” *Id.* at 12 (quoting *KSR Int'l Co. v. Teleflex Inc.*, 550 U.S. 398, 416 (2007)). The Court explained that Sainio teaches a printing press incorporating a single high intensity illumination system used to detect misalignments in the printing press and to adjust the system accordingly, while Ross discloses a circular LED lighting configuration consisting of a plurality of LEDs surrounding an optical sensor. The Court agreed with the Board that it would have been obvious to modify Sainio with the teaching of Ross, in seeking alternatives to the single high intensity light of Sainio, to increase the number of light sources and utilize LEDs as in Ross. The Court also explained that incorporating multiple light sources would lead to the predictable result of a greater degree of illumination. The Court rejected Quad/Tech's argument that Ross illuminated only two lights at a time, explaining that claims 61-72 of the '423 patent do not require any specific sequence of lights to be lit—they only require a plurality of LEDs in a circular configuration, which was disclosed by Ross. The Court also determined that, although Q.I. Press's marketing statements praising the circular LED configuration were relevant as objective indicia of nonobviousness, they did not alter the Court's conclusion. The Court held that the Board did not err in concluding that claims 61-72 of the '423 patent were invalid as obvious over Sainio and Ross.

The Court next addressed whether claim 18 failed to satisfy the written description requirement. The Court agreed with the Board that the '423 patent does not provide support for the negative limitation “the substrate of the printing press is unsupported at the point where the substrate is configured to be illuminated by the illumination arrangement” recited in claim 18. The Court rejected Quad/Tech's argument that Figures 1 and 2 of the '423 patent provide support for this element of claim 18. The Court explained that while Figure 1 shows an unsupported substrate, it does not show an illumination system or its location. The Court also agreed with the Board that although the substrate in Figure 2 is depicted as “floating,” this depiction was inadequate without any reference or additional illustration of the roller hardware of the printing press. Therefore, the Court held that substantial evidence supported the Board's conclusion that claim 18 was invalid due to inadequate written description.

The Court next addressed whether claims 1-60 would have been obvious. The Court first noted that claims 1-60 “differ only slightly from claims 61-72.” *Id.* at 17. The Court observed that claims 1-60 were rejected by the examiner over combinations of Maruyama and Ross, but claims 61-72 were rejected by the examiner over combinations of Sainio and Ross. The Court agreed with Q.I. Press that the Board's findings that claims 61-72 were obvious while claims 1-60 were nonobvious were contradictory. The Court explained that, “[g]iven the minor differences in the claims themselves and similarities in the cited

prior art, it seems apparent that the combination of Sainio and Ross discloses many of the elements of claims 1-60.” *Id.* at 18. The Court stated that it was “cognizant” that the Board may not have rejected claims 1-60 for obviousness over Sainio in view of Ross “because that rejection would have constituted a new ground for rejection on appeal.” *Id.* The Court noted that the Board has the discretion to issue a new ground of rejection if it has knowledge of one. The Court explained that when all of the references were before the Board, the Board should not permit inconsistent results when a proper challenge to that inconsistency is made on appeal. The Court stated that the Board should have noted the similarities between the claims and the references on appeal, analyzed whether the combination of Sainio and Ross would have rendered claims 1-60 obvious, and if so, issued a new ground of rejection. Since the combination of Sainio and Ross was before the Board to invalidate claims 61-72, and given the minor differences in the claims, the Court determined that the Board had knowledge of the grounds not raised in the appeal for rejecting claims 1-60. The Court held that the Board erred by not considering the combination of Sainio and Ross as a new ground of rejection of claims 1-60, vacated the Board’s decision that claims 1-60 were nonobvious, and remanded for further proceedings.

Finally, the Court agreed with Quad/Tech and the Board that claims 14 and 24 were supported by the written description of the ’423 patent. The Court noted, among other things, that Figure 2 of the ’423 patent shows an illumination system disposed between an image recording device, such as a sensor, and the substrate. The Court also explained that Figure 3 of the ’423 patent shows LEDs between the object being recorded (the substrate) and the image recording device. The Court then held that the Board’s conclusion that claims 14 and 24 were not invalid for lack of written description was supported by substantial evidence.

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A Proper Obviousness Analysis Must Consider the Entire Scope of the Claims

Samhitha C. Muralidhar

Judges: Prost (author), Reyna, Chen (dissenting-in-part)

[Appealed from M.D.N.C., Judge Eagles]

In *Allergan, Inc. v. Apotex Inc.*, Nos. 13-1245, -1246, -1247, -1249 (Fed. Cir. June 10, 2014), the Federal Circuit reversed the district court's findings with respect to validity, holding that the asserted claims of two patents directed to methods of treating hair loss were obvious and vacating the district court's grant of an injunction.

Allergan, Inc. ("Allergan") and Duke University (collectively "Appellees") sued Apotex Inc., Apotex Corp., Sandoz, Inc., Hit-Tech Pharmacal Co., Inc., Actavis, Inc., Watson Laboratories, Inc., and Watson Pharma, Inc. (collectively "Appellants") for infringement under 35 U.S.C. § 271(e)(2)(A) after Appellants submitted an ANDA to the FDA to market a generic version of Allergan's Latisse® product. The active drug product in Latisse® is bimatoprost, a synthetic prostaglandin F-2-alpha ("PGF") analog, which is used to promote eyelash hair growth. Appellees asserted infringement of U.S. Patent Nos. 7,388,029 ("the '029 patent") and 7,351,404 ("the '404 patent"), both of which claim methods of treating hair loss using certain PGF analogs.

After a bench trial, the district court found that the asserted claims were not invalid for anticipation, obviousness, insufficient written description, or lack of enablement and, moreover, were infringed by Appellants and granted a permanent injunction. Appellants appealed.

"The district court reached its conclusion of nonobviousness by looking only at properties of the C1-amide group and, particularly, bimatoprost. In doing so, the district court erred by failing to take into account the full scope of the '029 patent claims." Slip op. at 16.

On appeal, the Federal Circuit reviewed the district court's findings related to claim construction, anticipation, and obviousness. Regarding claim construction, the Federal Circuit affirmed the district court's construction of the term "treating hair loss" in the asserted claims of the '029 patent. The Court noted that the "specification provides an express definition for the term: 'Treating hair loss' includes arresting hair loss or reversing hair loss, or both, *and* promoting hair growth." Slip op. at 7 (emphasis added) (citation and internal quotation marks omitted). But the Court rejected Appellants' argument that the use of "and" required that the method must *both* arrest or reverse hair loss, as well as *also* promote hair growth. Explaining that even if the patentee's definition contained some ambiguity, the Court nevertheless found "[m]ost compelling[]" the patent examples' descriptions of the use of the claimed composition to, e.g., "promote hair growth." *Id.* Thus, in light of the specification as a whole, the Court

held that the proper construction of “treating hair loss” included a method of promoting hair growth *without* also arresting or reversing hair loss.

The Federal Circuit next held that the asserted claims of the '029 and '404 patents were not anticipated by either of two references relied on by Appellants. The Court turned first to International Patent Application No. PCT/US98/02289 (“Johnstone”), which discloses methods for stimulating hair growth using a broad genus of prostaglandin analogs. The Court noted that Johnstone was cited by the examiner during prosecution of the '029 patent, after which the patentee filed a claim amendment to expressly exclude the compounds disclosed in Johnstone, namely, those with a double carbon bond at a particular position. The Court then held that the district court did not clearly err in finding that Johnstone’s disclosure was too sparse and ambiguous to teach compounds outside the '029 patent claims’ proviso and, thus, did not anticipate.

The Court turned next to U.S. Patent No. 5,688,819 (“the '819 patent”), which discloses the use of certain PGF analogs, including bimatoprost, to treat glaucoma through administering eyedrops, but does not refer to hair growth, treating hair loss, or topical application of any compound. Because the asserted claims involve topical application of a drug product, the Court framed the issue as whether “promoting hair growth through topical application of bimatoprost on the skin is necessarily present or inherent in the method of applying eyedrops containing bimatoprost.” *Id.* at 12. While acknowledging that inherent anticipation can be found based on a trace amount, the Court held it was not clear error for the district court to find that “it was at least *possible* to administer eyedrops in a way as to reduce the flow of liquid to the eye to close to zero.” *Id.* at 13-14. Accordingly, the Court affirmed that the '819 patent did not anticipate the asserted claims of the '029 and '404 patents.

In contrast, the Federal Circuit reversed the district court’s decisions on obviousness. The Court first held that the asserted claims of the '029 patent were obvious over Johnstone and the '819 patent, concluding that the district court legally erred by “failing to take into account the full scope of the '029 patent claims.” *Id.* at 16. According to the Court, the district court incorrectly focused on whether specific compounds containing a C1-amide group, like bimatoprost, were rendered obvious when the proper analysis should focus on whether “any compounds within the broad genus claimed by the '029 patent, including those that did not have the C1-amide groups, were obvious at the time of the invention.” *Id.* at 17. The Court noted that the district court’s reasoning was especially problematic because it relied on the variant receptor-binding characteristics of PGF analogs with a C1-amide group without explaining how this finding necessarily applied to the reasonable expectation of success for the full scope of the compounds claimed.

The Court next concluded that the district court compounded its error by not giving proper weight to the full disclosure of the prior art. The Court held that while Johnstone did not “clearly and unequivocally disclose” the full scope of the '029 patent claims for anticipation purposes, it did, however, “suggest” it. *Id.* at 19. Moreover, the Court explained, Johnstone’s disclosure of an alternative preference did not teach away from the broad scope of the '029 patent. As the Court reasoned, “following Johnstone, there was nothing left for a chemist to do” because Johnstone taught a new utility (hair growth) for compounds that had been characterized in the '819 patent. *Id.* at 20-21.

The Court also rejected the district court’s conclusion that any difference in the chemical activity of PGF analogs was sufficient to teach away from the claimed invention because hair growth is generally an “unpredictable and mysterious” art. *Id.* at 21. The Court explained that once Johnstone taught that PGF analogs could be used to grow hair, “the correct question . . . was whether there was anything ‘unpredictable and mysterious’ about a PGF analog that could treat glaucoma growing hair.” *Id.* And, according to the Court, “[w]hile success in employing the disclosed compounds to treat hair loss may not have been guaranteed, Johnstone’s teaching provided sufficient guidance as to what parameters would lead to a reasonable expectation of success.” *Id.* at 22.

The Federal Circuit next held that the '404 patent was obvious over Johnstone and four publications (“the Brandt references”) alleged by Appellants to disclose bimatoprost’s ability to promote eyelash hair growth. As a preliminary question, the Court analyzed whether the Brandt references qualified as

potentially invalidating prior art. Regarding the two earlier Brandt references, the Court concluded that, while they were undisputedly prior art under 35 U.S.C. § 102(b), these references did not expressly refer to bimatoprost and, thus, one of ordinary skill in the art would be unaware that the results were associated with bimatoprost.

Turning to the two later-published and “more fulsome” Brandt references, the Federal Circuit held that these references qualified as prior art under 35 U.S.C. § 102(a) as they (1) were published before the invention date of the '404 patent and (2) did not represent the work of the inventors. *Id.* at 25-26. Regarding the invention date, the Court concluded that the district court improperly found corroboration for an earlier priority date of the '404 patent's invention of topical application to promote eyelash growth. The Court held that this was clear error because the documentary evidence did not relate to the claimed invention, and the only corroborating evidence was the oral testimony of a coinventor, which the Court “must treat with skepticism.” *Id.* at 27-28. Regarding the Brandt references being the inventors' own work, the Court held that, even if Appellees had not waived the argument by presenting it first in closing arguments and post-trial briefing, Appellees had not produced any evidence that the inventors were responsible for directing the work described in the references.

Finally, the Federal Circuit held that, when combined with Johnstone, the two later-published Brandt references rendered the '404 patent obvious. Noting that the district court's decision was limited to reciting that the Brandt references were not prior art, the Court nevertheless concluded that, in light of Johnstone's disclosure of topical application of a PGF analog to treat hair loss and the Brandt references' disclosure of bimatoprost's effect in growing eyelash hair in nearly 50% of patients, a person of ordinary skill in the art would have a substantial motivation to use topical application of bimatoprost to grow eyelash hair with a reasonable expectation of success. Thus, according to the Court, a remand was not necessary given the overwhelming weight of the evidence.

Judge Chen dissented from the majority's analysis of obviousness relating to the '029 patent. In Judge Chen's view, in light of the presumption of validity, Johnstone's teachings are simply too vague and equivocal to justify invalidating the '029 patent. Judge Chen noted that, “[i]n light of the particularly heavy burden to show obviousness over a reference disclosed during prosecution and discussed by the examiner, Appellants have not shown that Johnstone now somehow teaches or suggests the very structural feature that the patentee claimed to distinguish the Johnstone compounds.” Chen Dissent at 4. Judge Chen also disagreed with the majority's combination of Johnstone with the '819 patent, which concerns treatment methods for glaucoma. According to Judge Chen, Appellants failed to establish by clear and convincing evidence that a person of ordinary skill in the art would look to the '819 patent for solutions in the hair growth field. Accordingly, Judge Chen would have held that the '029 patent claims were not rendered obvious by Johnstone and the '819 patent.

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Precondition of “Error” for Reissue Requires Allegations of Deficient or Mistaken Understanding

Forrest A. Jones

Judges: Taranto (author), Bryson, Hughes
[Appealed from Board]

In *In re Dinsmore*, No. 13-1637 (Fed. Cir. June 10, 2014), the Federal Circuit affirmed the Board’s decision rejecting a reissue application for U.S. Patent No. 7,236,568 (“the ’568 patent”) for failure to identify an “error” within the meaning of 35 U.S.C. § 251.

The ’568 patent issued on June 26, 2007, listing Mark Dinsmore and David Caruso as inventors and twX, LLC, as the sole assignee. During the prosecution, the examiner rejected all filed claims based on several prior art patents and rejected claims 1 and 18-20 (issued claims 1, 16, 17, and 21) for obviousness-type double patenting over claims of U.S. Patent No. 6,658,086 (“the ’086 patent”), which listed Dinsmore as the sole inventor and a firm called Carl Zeiss as the sole assignee. In response, the applicants narrowed the claims to overcome the prior art rejections and filed a terminal disclaimer over the ’086 patent, stating that “any patent so granted on the instant application shall be enforceable only for and during such period that it and the prior [’086] patent are commonly owned.” Slip op. at 3 (citation omitted).

The applicants applied to reissue all claims of the ’568 patent under § 251, seeking to remove the recorded terminal disclaimer and without substituting or amending any of the claims. The applicants identified the error upon which reissue would be based as “inadvertently and without deceptive intent fill[ing] a Terminal Disclaimer over [the ’086 patent], which was not commonly owned by the owners of [the ’568 patent] currently at issue.” *Id.* (second and third alterations in original) (citation omitted). The examiner denied the application for being based on a defective declaration because the error was not an error upon which reissue can be based. The applicants submitted two additional reissue declarations, amending the claimed error to be allowance of the ’568 patent “based on an ineffective, invalid terminal disclaimer” that “renders the [’568] patent unenforceable.” *Id.* at 5 (citation omitted). The examiner rejected both applications because the declarations failed to identify an error that could support reissue. The applicants appealed to the Board. The Board affirmed the examiner’s rejections because “voluntary and intentional filing of a terminal disclaimer to overcome a non-statutory obviousness-type double patenting rejection . . . is not an ‘error’ correctible by reissue under 35 U.S.C. § 251.” *Id.* (quoting *Ex parte Dinsmore*, No. 13-6879, 2013 WL 5274029, at *9 (P.T.A.B. June 3, 2013)). The applicants appealed.

On appeal, the Federal Circuit affirmed the Board’s determination that the terminal disclaimer in this case was not an error correctable by reissue. The Court first rejected the applicants’ argument that because the ’568 and ’086 patents had never been commonly owned, the terminal disclaimer was either ineffective or invalid. The Court reasoned that the terminal disclaimer was effective because it stated that the ’568 patent will not be enforced except when commonly owned with the ’086 patent, which is a clear statement that can readily be given effect.

“On the record of this case, applicants are ultimately seeking simply to revise a choice they made, not to remedy the result of a mistaken belief. Theirs is not an error remediable under the reissue statute.” Slip op. at 11.

The Court also noted that the terminal disclaimer was valid because the applicants did not identify anything missing that was required as part of the disclaimer or that the disclaimer included anything that was forbidden. The terminal disclaimer, as filed, overcame the obviousness-type double patenting rejection. The Court further explained that the terminal disclaimer also ensured that multiple infringement suits could not be filed by different assignees for the same technology by promising that the '568 patent would not be enforceable if it was ever separately owned from the '086 patent.

The Court next explained that the applicants' argument was “that the disclaimer was ‘ineffective’ in the sense that it did not produce a patent they could actually enforce by themselves.” *Id.* at 8. The Court reasoned, however, that even if the inability to enforce the '568 patent produced by the terminal disclaimer constitutes inoperativeness, the applicants had not identified a “cognizable false or deficient understanding of fact or law” underlying the choice to file the disclaimer. *Id.* The Court then explained that not every choice that produces inoperativeness or invalidity under § 251 can qualify for reissue—only choices based on “error” count. *Id.* The Court observed that the applicants did not allege or show they had any “deficient understanding” when they chose to file the terminal disclaimer, such as a mistaken belief as to the invalidity of the claims in the absence of the disclaimer, a misunderstanding about the plain meaning of the disclaimer, or a mistaken belief that the '568 patent and the '086 patent were in fact commonly owned. The Court then held that the applicants' asserted error was not remediable under the reissue statute.

The Court next considered the applicants' argument that “a terminal disclaimer is akin to a contract” and that the disclaimer suffered from “antecedent impossibility” from a mutual or unilateral mistake. *Id.* at 11 (citation omitted). The Court rejected the applicants' argument because the applicants failed to claim the disclaimer was filed based on a mistaken belief.

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Disclosing Only a Class of Algorithms Renders Means-Plus-Function Term Indefinite

Kyle B. Morse*

Judges: Moore (author), Reyna, Hughes
[Appealed from W.D. Wash., Judge Jones]

In *Triton Tech of Texas, LLC v. Nintendo of America, Inc.*, No. 13-1476 (Fed. Cir. June 13, 2014), the Federal Circuit affirmed the district court's determination that the means-plus-function term "integrator means" was invalid for indefiniteness because the asserted patent failed to disclose an algorithm.

Triton Tech of Texas, LLC ("Triton") sued Nintendo of America, Inc. ("Nintendo"), alleging infringement of U.S. Patent No. 5,181,181 ("the '181 patent") by Nintendo's Wii Remote™ used in combination with a related accessory. The '181 patent discloses an input device that sends commands to a computer based on the input device's three-dimensional position, attitude (i.e., orientation), and motion. The '181 patent describes the input device as including a conventional microprocessor that is programmed to periodically read and numerically integrate values to calculate the position, attitude, and motion values for the input device. The '181 patent does not further explain how the numerical integration is performed—only that it is performed in a "conventional manner." Slip op. at 3 (citation omitted). The district court found that the term "integrator means" rendered the asserted claims indefinite because the '181 patent did not disclose an algorithm for performing the numerical integration. The district court also determined that "processing means" was indefinite and construed several other terms adversely to Triton. Triton appealed.

"Disclosing the broad class of 'numerical integration' does not limit the scope of the claim to the 'corresponding structure, material, or acts' that perform the function, as required by section 112 Disclosure of a class of algorithms 'that places no limitations on how values are calculated, combined, or weighted is insufficient to make the bounds of the claims understandable.'"

Slip op. at 6 (quoting *Ibormeith IP, LLC v. Mercedes-Benz USA, LLC*, 732 F.3d 1376, 1382 (Fed. Cir. 2013)).

On appeal, the Federal Circuit agreed that "integrator means" rendered the claims indefinite. First, the Court noted that the term "integrator means" was a means-plus-function term under § 112, sixth paragraph, and that Triton conceded that the corresponding structure was a conventional microprocessor. The Court rejected Triton's argument that the '181 patent disclosed an algorithm for performing the integrating function. Although the Court recognized that an algorithm can be expressed in many forms, "including flow charts, a series of specific steps, mathematical formula, prose, and so on," it determined that numerical integration is "an entire class of different possible algorithms," not an algorithm itself. *Id.* at 6. The Court held that disclosing a class of algorithms neither limits a claim's scope to the

“corresponding structure, material, or acts” that perform the function nor limits how values are calculated in a sufficient way to make the bounds of the claim understandable. The Court also rejected Triton’s argument that various numerical integration algorithms may have been known to one of ordinary skill in the art. The Court explained that a “bare statement that known techniques or methods can be used does not disclose structure” for a means-plus-function claim. *Id.* (quoting *Biomedino, LLC v. Water Techs. Corp.*, 490 F.3d 946, 953 (Fed. Cir. 2007)). Even if one of ordinary skill in the art would have known how to select an appropriate algorithm, the Court held that the ’181 patent’s failure to disclose any algorithm rendered the asserted claims indefinite.

The Federal Circuit next considered Triton’s argument that the ’181 patent disclosed a two-step algorithm consisting of sampling and accumulating. The Court held that Triton had waived this argument by failing to present it to the district court. The Court also declined to consider other claim terms that Triton appealed based on its affirmance of indefiniteness based on “integrator means.” Accordingly, the Court affirmed the district court’s determination of indefiniteness.

**Kyle B. Morse is a Summer Associate at Finnegan.*

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Means-Plus-Function Claim Must Disclose Some Algorithm for Performing the Function and Cannot Merely Restate the Function Recited in the Claim

Mandy J. Song

Judges: Moore (author), Schall, Reyna

[Appealed from N.D. Cal., Magistrate Judge Spero]

In *Augme Technologies, Inc. v. Yahoo! Inc.*, Nos. 13-1121, -1195 (Fed. Cir. June 20, 2014), the Federal Circuit affirmed the district court's grant in Yahoo! Inc.'s ("Yahoo!") favor of SJ of noninfringement of U.S. Patent Nos. 6,594,691 ("the '691 patent") and 7,269,636 ("the '636 patent") (collectively "the Augme patents"), and SJ of indefiniteness of the '691 patent. Also, the Court affirmed the district court's claim construction of the term "server hostname" and entry of judgment that Yahoo!'s U.S. Patent No. 7,640,320 ("the '320 patent") was infringed, and affirmed the district court's conclusion that the '320 patent was not indefinite.

Augme Technologies, Inc. ("Augme") sued Yahoo!, alleging infringement of certain claims of the Augme patents, and Yahoo! counterclaimed that Augme and World Talk Radio, LLC (collectively "Appellants") infringed certain claims of the '320 patent. After claim construction, the district court granted Yahoo!'s motion for SJ, finding noninfringement of the Augme patents, either literally or under the DOE. The district court also granted Yahoo!'s motion for SJ of invalidity, finding that certain means-plus-function claims of the '691 patent were indefinite. The district court further determined that the asserted claim of the '320 patent was not indefinite. Appellants had stipulated to infringement of the '320 patent based on the district court's claim construction. Appellants appealed.

The Augme patents disclose adding functionality, such as media or advertisements, to a web page. As articulated by the Federal Circuit, the asserted claims require two code modules: a first code module embedded in a web page, and a second code module that contains the code for the added functionality and a "service response," where the first code module issues a command to retrieve the second code module from a server. As the Court further detailed, the accused Yahoo! systems use "smart tags" (the alleged embedded first code module) embedded into a web page. The smart tag is executed to download an intermediary "smart code," which is then executed to send parameters to the Yahoo! server and to request an "imp code" (the alleged second code module). The "imp code" that is returned to the browser includes an "ad code" (the alleged service response) that either includes an advertisement for display or is blank.

"[T]o meet the definiteness requirements of 35 U.S.C. § 112, second paragraph, the specification must disclose an algorithm for performing the claimed function. Certainly, the algorithm may be expressed in 'any understandable terms including as a mathematical formula, in prose, or as a flow chart, or in any other manner that provides sufficient structure.' But it must disclose *some* algorithm; it cannot merely restate the function recited in

On appeal, the Federal Circuit first turned to the district court’s grant of SJ of Yahoo!’s noninfringement of the Augme patents. Addressing the district court’s determination that Yahoo!’s accused systems did not meet the “service response” limitations, the Court affirmed the district court’s construction to require an indication of web page permission, but agreed with Appellants that there was a genuine issue of material fact as to whether the advertisements or blank codes in the “imp code” provide an indication of web page permission. With respect to the “embedded first code module” limitation, the Court affirmed the district court’s construction of “embedded” to mean “written into the HTML code of the web page,” which excludes linked code. Slip op. at 8-9 (citation omitted). Accordingly, the Court agreed with the district court that neither Yahoo!’s smart tag nor its smart code constitutes the “embedded first code module” because the smart tag did not retrieve the imp code, and the smart code was linked, not embedded. *Id.* at 12. The Court further agreed that the combination of the embedded smart tag and the linked smart code was not an equivalent to the “embedded first code module” either, because “embedded” cannot be partially linked. *Id.* at 13-14. The Court therefore affirmed the grant of SJ of no literal infringement or infringement under the DOE.

The Court then reviewed the SJ of invalidity of Augme’s means-plus-function claims. The Court explained that, for a means-plus-function limitation to meet the definiteness requirements, the specification must disclose some algorithm, such as a mathematical formula, or as a flow chart, or any other manner that provides sufficient structure, for performing the claimed function, rather than merely restating the function recited in the claim. The Court affirmed the conclusion of indefiniteness because the ’691 patent did not disclose any algorithm for assembling the second computer-readable code module.

The Court also addressed Appellants’ argument that it did not infringe the ’320 patent, under a correct construction. Yahoo!’s ’320 patent is directed to retrieving digital content over a computer network using a unique identifier associated with a server hostname and a filename. The district court construed “server hostname” to be a “network name of a server.” *Id.* at 20. The Court agreed with the district court’s construction and declined to follow Appellants’ proposed construction, which had additional limitations not supported by the specification or the prosecution history. Because Appellants stipulated to infringement based on the district court’s construction, the Court affirmed the district court’s entry of judgment that Appellants infringed.

Finally, the Court addressed Appellants’ invalidity challenge to claim 7 of the ’320 patent, which recites, inter alia, “receiving, by an ingest server, the unique identifier to the digital content.” *Id.* at 23. Appellants argued that the limitation was indefinite because the ’320 patent did not disclose that the ingest server received a unique identifier. The Court disagreed and characterized the arguments as being based on the wrong legal standard, i.e., written description or enablement as opposed to indefiniteness. Accordingly, the Court affirmed the district court’s determination that claim 7 was not indefinite.

Therefore, the Federal Circuit affirmed the district court’s entries of SJ for the Augme patents and affirmed the district court in all respects regarding the ’320 patent.

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Trademark Refused Registration Because It Was Generic

Morgan E. Smith

Judges: Reyna (author), Wallach, Taranto

[Appealed from TTAB]

In *In re Nordic Naturals, Inc.*, No. 13-1492 (Fed. Cir. June 23, 2014), the Federal Circuit affirmed the TTAB's refusal to register CHILDREN'S DHA because the mark was generic.

Nordic Naturals, Inc. ("Nordic") applied to register CHILDREN'S DHA for nutritional supplements containing docosahexaenoic acid ("DHA"), an omega-3 fatty acid that assists in brain development. During prosecution, Nordic disclaimed exclusive use of DHA apart from its use in the mark as a whole and clarified that it was designed for use by children. The examining attorney refused registration because the mark was generic or, alternatively, because it lacked acquired distinctiveness. Nordic appealed to the TTAB, which upheld the examining attorney's findings that the mark was generic and had not acquired distinctiveness. The TTAB found that the relevant goods were "nutritional supplements containing DHA" and that the relevant public for these goods "consists of parents or other adults seeking nutritional supplements containing DHA for children." Slip op. at 2 (citation omitted). The TTAB cited dictionary definitions of "child" and "DHA" and third-party uses of "children's DHA" describing DHA products for children to support its finding that "'children's DHA' merely described an essential fatty acid for children, without indicating source." *Id.* (citation omitted).

"Here, there is a lack of third-party references recognizing Nordic as the source of 'children's DHA.' Instead, the record contains references that use this phrase in a generic and descriptive manner." Slip op. at 7.

On appeal, the Federal Circuit upheld the TTAB's refusal to register the mark as generic. Because it affirmed the TTAB's decision on genericness, the Court did not address the parties' arguments on acquired distinctiveness. "A mark is generic if the relevant public primarily uses or understands the mark to refer to the category or class of goods in question." *Id.* at 3. Because Nordic did not challenge the TTAB's characterization of the category of goods and relevant public, the Court adopted the TTAB's definitions of these terms. In analyzing the evidence of record, the Court noted that "nothing in the definition of 'child' and 'DHA' . . . suggests 'children's DHA' might identify the source of a product, rather than just describe the product." *Id.* at 4. The Court held that, rather than indicating a source, the dictionary definitions of record showed that "children's" merely described a category of DHA. *Id.*

The Federal Circuit then explained that third-party uses of "children's DHA" further supported its holding, noting that the evidence of record did not support a "mixture of usages," which might negate a finding of genericness. Rejecting Nordic's argument that third parties used "children's DHA" to refer to its products,

the Court distinguished this case from *In re Merrill Lynch, Pierce, Fenner & Smith, Inc.*, 828 F.2d 1567 (Fed. Cir. 1987), in which third-party uses “showed recognition . . . that the source of the [goods and services] was the appellant.” Slip op. at 6 (quoting *In re Merrill Lynch*, 828 F.2d at 1571). The Court held that third parties using “children’s DHA” to refer to Nordic’s goods used it “to describe those goods in a generic manner.” *Id.* at 7. The Court also did not afford great weight to declarations of retailers of Nordic’s products because the retailers were not members of the relevant public. Because substantial evidence supported the TTAB’s findings, the Court affirmed the refusal to register “CHILDREN’S DHA” because the mark was generic.

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Although Mediator Had a Duty to Disclose Dealings with One of the Firms in the Litigation, Relief from Judgment Was Inappropriate Under Rule 60(b)

Corinne Miller LaGosh

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

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

In *CEATS, Inc. v. Continental Airlines, Inc.*, No. 13-1529 (Fed. Cir. June 24, 2014), the Federal Circuit affirmed the district court's finding that relief from judgment under Fed. R. Civ. P. 60(b) was not warranted.

CEATS, Inc. ("CEATS") sued Continental Airlines, Inc., Alaska Airlines, Inc., Horizon Air Industries, Inc., Delta Airlines, Inc., Jetblue Airways Corp., United Airlines, Inc., Virgin America, Inc., US Airways, Inc., Ticketmaster, LLC., Ticketsnow.com, Inc., Live Nation Worldwide, Inc., and Airtran Airways, Inc. (collectively "Continental") for patent infringement. The case went to trial after the parties failed to reach a settlement during court-ordered mediation. The jury found CEATS's patents were infringed but invalid, which the Federal Circuit affirmed in an earlier appeal. While the earlier appeal was pending, CEATS sought relief from the judgment, pursuant to Rule 60(b), based on a purported relationship between the court-appointed mediator, former Magistrate Judge Robert Faulkner, and the law firm representing some, but not all, of the accused infringers, Fish & Richardson P.C. ("Fish"). CEATS contended that it discovered the relationship because of a news article related to a suit against Faulkner and Fish resulting from a separate litigation ("the *Karlseng* litigation"). After the Federal Circuit affirmed the invalidity of CEATS's patents, the district court denied the Rule 60(b) motion, and CEATS appealed.

On appeal, the Federal Circuit did not find persuasive CEATS's arguments that the district court abused its discretion by not granting relief under both Rule 60(b)(3)—due to Fish's failure to disclose the facts surrounding the *Karlseng* litigation—and under Rule 60(b)(6)—for Faulkner's failure to disclose the facts surrounding the *Karlseng* litigation and the *Karlseng* litigation itself. With respect to Rule 60(b)(3), the Court explained that the party seeking relief "must prove by clear and convincing evidence '(1) that the adverse party engaged in fraud or other misconduct, and (2) that this misconduct prevented the moving party from fully and fairly presenting his case.'" Slip op. at 8 (quoting *Hesling v. CSX Transp., Inc.*, 396 F.3d 632, 641 (5th Cir. 2005)). Because CEATS conceded that there was nothing in the record showing that it was not given a full and fair opportunity to present its case and due to the Federal Circuit's limitation to the record before it, the Court affirmed the district court's finding that relief under Rule 60(b) (3) was not appropriate.

"Although we conclude that Faulkner should have disclosed the circumstances surrounding the *Karlseng* litigation and his relationship with the Fish firm relating thereto, we find that CEATS ultimately was able to fully and fairly present its case before an impartial judge and jury." Slip op. at 18.

“Because CEATS had the opportunity to present its case to a neutral judge and jury, we do not believe that refusing to grant the relief CEATS seeks will undermine public confidence in the judicial process as a whole.” *Id.* at 19-20.

Turning to CEATS’s Rule 60(b)(6) motion, the Court explained that this provision provides “federal courts authority to relieve a party from a final judgment ‘upon such terms as are just.’” *Id.* (quoting *Liljeberg v. Health Servs. Acquisition Corp.*, 486 U.S. 847, 863-64 (1988)). While CEATS contended that the *Liljeberg* test was inappropriate to apply to mediators, it relied on the three-factor test outlined in *Liljeberg* in support of the district court’s reversal. The Court agreed with CEATS that mediators are bound to disclosure requirements, similar to the recusal requirements imposed on judges, and that the *Liljeberg* factors were applicable in the present case.

In applying the test, the Court first looked at whether Faulkner violated the duty of disclosure by failing to disclose the facts pertaining to the *Karlseng* litigation. While acknowledging the different functions of judges and arbitrators, the Court explained the duty to disclose for mediators is similar to the recusal requirements of judges. Further, the Court, noting that mediators do not have the power to issue judgments or awards, stated that because mediators receive confidential information during the mediation process, “those parties must have absolute trust that their confidential disclosures will be preserved.” *Id.* at 12. Thus, because of the similarity between the disclosure and recusal requirements, the Court found it appropriate to review Faulkner’s obligations of disclosure under *Liljeberg*.

The Court first considered Faulkner’s duty to disclose the facts surrounding the *Karlseng* litigation. The Court found the district court’s reasoning for distinguishing *Liljeberg* unpersuasive and determined that “the district court erred in finding that a reasonably objective person would not have wanted to consider circumstances surrounding the *Karlseng* litigation when deciding whether to object to Faulkner’s appointment as mediator.” *Id.* at 14. Indeed, the Court concluded that, relying on the analogous duties of judges and mediators to recuse and disclose conflicts, mediators must disclose all financial interests and conflicts of interest. The Court, stating that it need not decide whether any one of the facts regarding Faulkner’s interaction with Fish was sufficient to require disclosure, held that, “based on the totality of the facts and circumstances surrounding the *Karlseng* litigation, Faulkner breached his duty as a mediator to disclose ‘all actual and potential conflicts of interest that are reasonably known to the mediator and could *reasonably be seen* as raising a question about the mediator’s impartiality.’” *Id.* at 16 (citation omitted).

The Court noted that it was still required to consider whether the case presented “extraordinary circumstances” since a finding that Faulkner breached his duty of disclosure did not de facto entitle CEATS to relief under Rule 60(b)(6). Assessing the first *Liljeberg* factor—the risk of injustice in this case—the Court agreed with Continental that CEATS “failed to show a meaningful risk of injustice in this case” because CEATS was able to present its case fully and fairly to an impartial judge and jury. *Id.* at 18. Further, the Court found that the record did not suggest that Faulkner engaged in any improper disclosure of confidential information and CEATS never attempted to determine whether any such improper disclosure occurred. Thus, the Court concluded that the first factor of *Liljeberg* was not met.

Assessing the second factor in *Liljeberg*—the risk of injustice in other cases—the Court, while acknowledging that it did not want to encourage similar nondisclosures, stated that, on the present record, there was an insufficient threat of injustice in other cases to justify the extraordinary step of overturning a jury’s verdict. In support of this conclusion, the Court found it unlikely that other mediators would ignore their duties of disclosure if relief were denied in the present case and believed that its decision served “to reinforce the broad disclosure rules for mediators by holding that Faulkner had a duty to disclose in this case.” *Id.* at 19.

Finally, addressing the third *Liljeberg* factor—the risk of undermining public confidence—the Court found that while public confidence in the mediation process would be somewhat undermined by its failure to “put greater teeth in the mediators’ disclosure obligations,” that fact alone did not justify the extraordinary

relief sought by CEATS. *Id.* The Court explained, “Because CEATS had the opportunity to present its case to a neutral judge and jury, we do not believe that refusing to grant the relief CEATS seeks will undermine public confidence in the judicial process as a whole.” *Id.* at 19-20. Thus, the Court determined there was an insufficient risk to public confidence in the judicial process as a whole, and the third factor in *Liljeberg* did not weigh in favor of relief.

Accordingly, the Court affirmed the district court’s refusal to provide CEATS relief from judgment under Rule 60(b).

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Claim Terms Should Be Given Their Plain and Ordinary Meaning When No Lexicography or Disavowal Exists

Christopher M. Kurpinski

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

[Appealed from S.D. Ind., Judge Magnus-Stinson]

In *Hill-Rom Services, Inc. v. Stryker Corp.*, No. 13-1450 (Fed. Cir. June 27, 2014), the Federal Circuit reversed the district court's SJ of noninfringement, finding that it was based on several erroneous claim constructions.

Hill-Rom Services, Inc., Hill-Rom Company, Inc., and Hill-Rom Manufacturing, Inc. (collectively "Hill-Rom") own three patents related to remote hospital bed monitoring—U.S. Patent Nos. 5,699,038 ("the '038 patent"); 6,147,592; and 7,538,659 (collectively "the patents-in-suit"). All three patents-in-suit share a common specification, which discloses hospital beds equipped with sensors that monitor parameters such as the patient's presence and the height of the bed. In the patented system, an interface board processes the monitored signals to create bed condition messages, and sends the bed condition messages over a datalink to a remote location. In some cases, the messages may also include message validation information.

Hill-Rom brought suit against Stryker Corporation and Stryker Sales Corporation (collectively "Stryker") for infringing the patents-in-suit. The parties stipulated to noninfringement based on the district court's construction of four claim terms—"datalink," "interface board including a processor," "message validation information," and "bed condition message." Hill-Rom appealed the SJ of noninfringement.

"There are no magic words that must be used, but to deviate from the plain and ordinary meaning of a claim term to one of skill in the art, the patentee must, with some language, indicate a clear intent to do so in the patent. And there is no such language here." Slip op. at 7.

[S]tatements made during prosecution of a later, unrelated patent cannot form the basis for judicial estoppel." *Id.* at 22.

On appeal, the Federal Circuit held that the district court's judgment was premised on erroneous claim constructions. First, the Court found that the district court's construction of "datalink"—"a cable connected to the bed that carries data"—was overly narrow because it did not include wireless datalinks. Slip op. at 4 (quoting *Hill-Rom Servs., Inc. v. Stryker Corp.*, No. 1:11-CV-1120, 2013 WL 364568, at *8 (S.D. Ind. Jan. 30, 2013)). The Court found that references to "datalink 39," "serial datalink 39," and "cable 39" in the specification did not limit the "datalink" to a cable because those terms were

used when referring to the preferred embodiment, and never when referring to the invention as a whole. *Id.* at 7. Likewise, a patent examiner's remarks during prosecution of a later unrelated patent—that the specification did not teach a wireless receiver—also failed to convince the Court that the “datalink” should be limited to a wired connection. In the Court's view, this statement was directed to the embodiments of the patents-in-suit, and simply acknowledged that they did not disclose an embodiment using a wireless receiver. But the Court noted that patents are not required to teach what is well known in the art. Thus, because wireless datalinks were known at the time the patents-in-suit were filed, the term “datalink” should have its ordinary meaning, even if the patents-in-suit did not disclose an embodiment with a wireless datalink. Relying in part on testimony from Hill-Rom's expert, the Court found that the plain and ordinary meaning of a “datalink” at the time the patents-in-suit were filed would be “a link that carries data in a wired or wireless fashion.” *Id.* at 11.

Second, the Court found that the district court's construction of the term “interface board including a processor” was incorrect because it required the interface board to both send and receive messages. Thus, the Court held that the “interface board including a processor” is “the interface between the bed components and the off-bed components that processes the bed condition input signals.” *Id.* at 12. The Court noted that the ordinary meaning of “interface” does not require two-way communication, and the independent claims of the '038 patent only require sending messages from the interface board to a remote location. The Court also found that the district court's construction would improperly require the interface board to send messages through a “wall interface unit.” The Court noted that the claims do not require a wall interface unit, and that the specification discloses at least one embodiment where messages are not sent through a wall interface unit.

Third, the Court found that “message validation information” was not limited to a single data field, as the district court's construction would have required. Although the specification disclosed embodiments that used a single verification field, the Court found nothing in the specification suggesting that using a single field is important or valuable to the invention. The Court also noted that the claimed validation does not have to perform flawlessly to meet the “message validation information” limitation. The specification discloses an embodiment where a CHECKSUM field is used for validation and, as the specification notes, a CHECKSUM implementation may fail to catch an error in some cases.

Finally, contrary to the district court's construction, the Federal Circuit construed the term “bed condition message,” consistent with its plain meaning, as “a message that indicates the status of a monitored bed.” *Id.* at 19. The Court found that the district court's additional limitation—that the message is “not generated in response to any user request that contains the status of all conditions the bed is capable of monitoring”—was premised on an incorrect application of judicial estoppel, based on statements made by Hill-Rom during prosecution of a later, unrelated patent. *Id.* at 19-21 (citation omitted). The Court noted that, under *Pfizer, Inc. v. Ranbaxy Laboratories, Inc.*, 457 F.3d 1284, 1290 (Fed. Cir. 2006), “statements made during prosecution of a later, unrelated patent cannot form the basis for judicial estoppel.” Slip op. at 22. The Court also explained that judicial estoppel only applies when a party takes a position that is “clearly inconsistent” with its earlier position. *Id.* The Court, however, found that judicial estoppel could not apply since Hill-Rom's earlier statements were ambiguous and not clearly inconsistent with its current position.

Having found that the district court's judgment was based on erroneous claim constructions, the Court reversed the grant of SJ of noninfringement and remanded for further proceedings.

In his dissent, Judge Reyna maintained that the patents-in-suit consistently identified the “datalink” as a physical structure, and did not indicate it included wireless communications. He also noted that Hill-Rom added wireless communications in a later patent application, which described the patents-in-suit as limited to wired systems. Judge Reyna stated that the examiner who reviewed this later application did not consider the “datalink” to include wireless technology and that the majority had misconstrued the examiner's remarks. He disagreed with the majority's construction of “datalink” because it defined the term functionally to include “any and every method of communicating data.” Reyna Dissent at 6. He also was of the opinion that the term “datalink” would not have been understood to include wireless communications when the patents-in-suit were filed. Noting that the majority opinion relied on testimony

from Hill-Rom's expert for the sole evidence of how the term would have been understood, Judge Reyna found the testimony conclusory and ambiguous. Thus, Judge Reyna would have limited the claimed "datalink" to a physical connection.

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Looking Ahead

Supreme Court Vacates *Ultramercial* Decision for Further Consideration

On June 19, 2014, in *Alice Corp. Pty. Ltd. v. CLS Bank International*, No. 13-298, 573 U.S. ___ (2014), the Supreme Court held that claims directed to “settlement risk” implemented by a general purpose computer were not patent-eligible subject matter under 35 U.S.C. § 101. In analyzing the claims, the Supreme Court applied its two-step framework from *Mayo Collaborative Services v. Prometheus Laboratories, Inc.*, 132 S. Ct. 1289 (2012). Under this framework, the Supreme Court concluded that the claims at issue were not patent eligible because the claims “simply recite the concept of intermediated settlement as performed by a generic computer.” Slip op. at 15.

On June 30, 2014, the Supreme Court also granted certiorari in *WildTangent, Inc. v. Ultramercial, LLC*, No. 13-255 (S. Ct. June 30, 2014). The Supreme Court vacated the Federal Circuit’s decision in *Ultramercial, Inc. v. Hulu, LLC*, 722 F.3d 1335 (Fed. Cir. 2013), without opinion and remanded the decision for further consideration in light of its decision in *Alice Corp.*

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Spotlight Info

In *Source Vagabond Systems Ltd. v. Hydrapak, Inc.*, Nos. 13-1270, -1387 (Fed. Cir. June 5, 2014), the Federal Circuit affirmed the district court's orders imposing sanctions under Fed. R. Civ. P. 11 against Source Vagabond Systems Ltd. and its attorneys (collectively "Source"). The Court held that Source was required to perform an objective evaluation of the claim terms to satisfy its obligation to conduct a reasonable presuit evaluation, and because Source's proposed definition ignored the canons of claim construction, Source did not meet this standard.

Accordingly, the Court affirmed the district court's order imposing Rule 11(b)(2) sanctions based on Source's claim construction arguments. The Court next held that Source's literal and DOE infringement positions, even under Source's proposed claim construction, were untenable, lacking legal and evidentiary support. The Court thus affirmed the district court's imposition of Rule 11(b)(3) sanctions against Source. See this month's edition of *Last Month at the Federal Circuit* for a full summary of this decision.

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