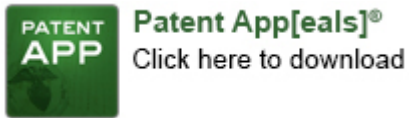


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## Last Month at the Federal Circuit

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*buySAFE, Inc. v. Google, Inc.*

No. 13-1575 (Fed. Cir. Sept. 3, 2014)

[Appealed from D. Del., Judge Stark]

### During Claim Construction, Neither Importing Limitations from nor Reading Out a Preferred Embodiment Is Proper

*EPOS Technologies Ltd. v. Pegasus Technologies Ltd.*

No. 13-1330 (Fed. Cir. Sept. 5, 2014)

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## Abbreviations

AIA	America Invents Act
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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### Claims Directed to Transaction Performance Guaranty Held Patent Ineligible Under § 101

Justin N. Mullen

**Judges: Taranto (author), Hughes**  
**[Appealed from D. Del., Judge Stark]**

In *buySAFE, Inc. v. Google, Inc.*, No. 13-1575 (Fed. Cir. Sept. 3, 2014), the Federal Circuit affirmed the district court’s determination that the asserted claims were invalid under 35 U.S.C. § 101 for being directed to patent-ineligible subject matter.

buySAFE, Inc. (“buySAFE”) owns U.S. Patent No. 7,644,019 (“the ’019 patent”), directed to computer applications for guaranteeing a party’s performance of its online transaction.

buySAFE sued Google, Inc. (“Google”), alleging that Google infringed the ’019 patent. Google moved for judgment on the pleadings, alleging that the asserted claims were invalid under 35 U.S.C. § 101. The district court granted Google’s motion, ruling that the ’019 patent “describes a well-known, and widely-understood concept . . . and then applied that concept using conventional computer technology and the Internet.” Slip op. at 4 (quoting *buySAFE, Inc. v. Google, Inc.*, 964 F. Supp. 2d 331, 335-36 (D. Del. 2013)). The district court also found that the claims only require a generic computer, do not specify any definite programming, and are not tied to a particular machine. buySAFE appealed.

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**“That a computer receives and sends the information over a network—with no further specification—is not even arguably inventive.” Slip op. at 9.**

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On appeal, the Federal Circuit first considered whether the asserted claims fell into one of the exceptions to patent eligibility under § 101. The Court explained that the excluded categories—laws of nature, natural phenomena, and abstract ideas—may apply “even if the particular natural law or phenomenon or abstract idea at issue is narrow.” *Id.* at 5 (citing *Mayo Collaborative Servs. v. Prometheus Labs., Inc.*, 132 S. Ct. 1289, 1303 (2012)). After setting forth the Supreme Court’s two-part test outlined in *Mayo* and *Alice Corp. v. CLS Bank International*, 134 S. Ct. 2347 (2014), the Court determined that the asserted claims were “squarely about creating a contractual relationship—a ‘transaction performance guaranty’—that is beyond question of ancient lineage.” Slip op. at 9 (citing Willis D. Morgan, *The History and Economics of Suretyship*, 12 Cornell L.Q. 153 (1927)). The Court also explained that the dependent claims merely offer particular types of known transactions that, while narrowing, do not make the claims more or less abstract under § 101.

The Court next analyzed whether the claims’ use of computers amounted to an inventive concept. The Court held that the recited computer functionality “adds no inventive concept” because the functionality

was “generic” in that the “computer receives a request for a guarantee and transmits an offer of guarantee in return” without further detail. *Id.* The Court also noted that the claims-at-issue were similar to the claims found to be unpatentable in *Alice*, noting that “receiv[ing] and send[ing] the information over a network—with no further specification—is not even arguably inventive.” *Id.* The Court also determined that the recitation of the transactions being “online transactions” merely limited the claims to a particular technological environment, which was not adequate to make the claim statutory under § 101. *Id.*

Accordingly, the Court affirmed the district court’s finding that the asserted claims were invalid under 35 U.S.C. § 101.

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### **During Claim Construction, Neither Importing Limitations from nor Reading Out a Preferred Embodiment Is Proper**

*Karthik Kumar*

**Judges: Hughes (author), Bryson**  
**[Appealed from D.D.C., Judge Nickerson]**

In *EPOS Technologies Ltd. v. Pegasus Technologies Ltd.*, No. 13-1330 (Fed. Cir. Sept. 5, 2014), the Federal Circuit vacated the district court's constructions of four claim terms and the district court's SJ of noninfringement under the DOE. The Federal Circuit also reversed the district court's SJ of noninfringement for certain of the patents-in-suit and remanded to the district court.

EPOS Technologies Ltd. ("EPOS") filed suit against Pegasus Technologies Ltd. ("Pegasus"), seeking DJ of noninfringement of U.S. Patent Nos. 6,326,565 ("the '565 patent"); 6,392,330 ("the '330 patent"); 6,724,371 ("the '371 patent"); and 6,841,742 ("the '742 patent"). Pegasus counterclaimed for infringement of U.S. Patent Nos. 6,266,051 ("the '051 patent") and 6,501,461 ("the '461 patent"). The patents relate to pens that digitize writing and devices for retrofitting writing surfaces so that writing can be digitally captured. After claim construction, EPOS moved for SJ of invalidity and noninfringement. The district court granted the motion as to noninfringement and declined to address invalidity. Pegasus appealed the district court's construction of four claim terms and SJ of noninfringement.

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**"Although it is true that the specifications recite embodiments including 'conventional' writing implements, there is no clear indication in the intrinsic record suggesting that the claims are limited to 'conventional' drawing implements." Slip op. at 8.**

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On appeal, the Federal Circuit held that the district court erroneously imported limitations from preferred embodiments into the construction of two claim terms and misconstrued the other two terms to exclude preferred embodiments. The Court explained that "it is improper to read limitations from a preferred embodiment described in the specification—even if it is the only embodiment—into the claims absent a clear indication in the intrinsic record that the patentee intended the claims to be so limited." Slip op. at 4 (quoting *Liebel-Flarsheim Co. v. Medrad, Inc.*, 358 F.3d 898, 913 (Fed. Cir. 2004)). On the other hand, the Court explained, "[a] claim construction that excludes a preferred embodiment . . . is rarely, if ever correct and would require highly persuasive evidentiary support." *Id.* at 14 (quoting *Anchor Wall Sys., Inc. v. Rockwood Retaining Walls, Inc.*, 340 F.3d 1298, 1308 (Fed. Cir. 2003)). In each of the four instances discussed below, the Court concluded that the district court committed one error or the other.

Turning to the district court's construction of "drawing implement" as "a *conventional* writing utensil that can be used alone or together with the invention," the Federal Circuit explained that in the '565 and

'742 patents, the disclosed embodiments all included conventional writing implements. *Id.* at 7 (citation omitted). The Court further explained, however, that the claims themselves only stated that the “drawing implement” must have at least a body and an operative tip, not that the “drawing implement” must be conventional. Thus, the Court concluded that the district court erred by importing the limitation “conventional” from the preferred embodiments into its construction of the term “drawing implement.”

The Federal Circuit next turned to the district court’s construction of the term “given time interval.” The district court, while noting that the claims of the ’565 and ’742 patents do not recite time interval limits, nevertheless construed “given time interval” as “fixed at a few seconds or less.” *Id.* at 8 (citation omitted). The district court further found that all evidence suggested that there must be an upper bound to the interval. The Federal Circuit found, however, that the ’565 and ’742 patents described their embodiments as only “preferably” or “typically” using lower-bound time intervals. Thus, the Court concluded that the district court imported limitations from the preferred embodiments. The Court also considered EPOS’s arguments directed to its construction and its indefiniteness arguments, but found none to be persuasive.

The Court then turned to the term “marking implement,” which the district court construed to mean “an implement that has a marker tip (and not a pen tip).” *Id.* at 11 (citation omitted). The Federal Circuit found that “[n]othing in the ’461 patent limits a ‘marking implement’ to an implement with ‘a marker tip (and not a pen tip).’” *Id.* The Court noted that the ’461 patent referred to the “marking implement” interchangeably as a “marker” and a “pen,” referred to the marking implement’s tip as a “pen tip,” and disclosed that the marking implement could be an eraser. *Id.* The Court inferred from these disclosures that the patentee intended a broad definition for “marking implement.” Thus, the Court concluded that the district court’s construction excluded a preferred embodiment.

Finally, the Federal Circuit turned to the district court’s construction of “temporary attachment” as “an element that can be removed from the device’s ‘retrofittable apparatus.’” *Id.* at 14 (citation omitted). The Court explained that, “[o]n its face, claim 1 requires that the ‘temporary attachment’ is an element of the ‘retrofittable apparatus.’ So the ‘temporary attachment’ is not something that can be removed from the retrofittable apparatus.” *Id.* Further, the Court clarified, the ’051 patent specification disclosed preferred embodiments where the temporary attachment was “affixed to” the retrofittable apparatus or “associated therewith.” *Id.* at 14-15 (citations omitted). Thus, the Court concluded that the district court’s construction was incorrect because it excluded preferred embodiments.

Addressing the entry of SJ of noninfringement of the ’371 patent under the DOE, the Federal Circuit noted that the district court provided only two sentences for its reasoning that continuous ultrasound signals are not equivalent to “intermittent” signals, as claimed in the ’371 patent. Accordingly, the Court concluded that the district court improperly shortcutted the function-way-result inquiry and vacated the district court’s grant of SJ so that the district court could consider the issue on remand.

Accordingly, the Court vacated the district court’s constructions of the four claim terms and the district court’s grant of SJ of noninfringement under the DOE. The Court also reversed the district court’s SJ of noninfringement of the ’565, ’742, ’461, and ’051 patents, and remanded for further proceedings.

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### **The “Analogous Art” Inquiry Considers the Similarities of the Problems and the Closeness of the Subject Matter as Viewed by a Person of Ordinary Skill**

*David R. Lefebvre*

**Judges: Newman (author), Moore (dissenting), Wallach**  
**[Appealed from Board]**

In *Scientific Plastic Products, Inc. v. Biotage AB*, Nos. 13-1219, -1220, -1221 (Fed. Cir. Sept. 10, 2014), the Federal Circuit affirmed the Board’s decision that all claims of U.S. Patent Nos. 7,138,061; 7,381,327; and 7,410,571 (collectively “the patents-in-suit”) were invalid for obviousness.

Scientific Plastics Products, Inc. (“SPP”) owns the patents-in-suit, which relate to a resealable cartridge for low pressure liquid chromatography (“LPLC”) that provides a fluid tight seal under pressure. The claimed cartridge comprises a tubular container with a threaded polymer cap and a sealing flange. After SPP brought suit against Biotage AB (“Biotage”) for infringement, Biotage requested inter partes reexamination of the patents-in-suit. During reexamination, the examiner rejected all the claims of the patents-in-suit as obvious based on the combination of the LPLC cartridge of U.S. Patent No. 5,693,223 (“Yamada”) with the pressure-resistant caps of PCT publication WO 2002/42171A1 (“King”) and U.S. Patent No. 5,100,013 (“Strasheimer”). The Board affirmed the rejections and cancelled all the claims. SPP appealed.

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**“The pertinence of the reference as a source of solution to the inventor’s problem must be recognizable with the foresight of a person of ordinary skill, not with the hindsight of the inventor’s successful achievement.” Slip op. at 7.**

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On appeal, the Federal Circuit affirmed. The Court first considered whether the King and Strasheimer references were analogous art, and specifically whether they were reasonably pertinent to the inventors’ particular problem and thus properly relied upon for obviousness. According to the Court, “[t]he analogous art inquiry is a factual one, requiring inquiry into the similarities of the problems and the closeness of the subject matter as viewed by a person of ordinary skill [in the art].” Slip op. at 9. Noting that “[o]ther cases have found that a particular reference was not analogous art when the field was not an obvious area to be consulted,” the Court held that in this case, King and Strasheimer “address the problem of providing a fluid tight seal at elevated pressures, between a container and a resealable cap,” which “is sufficiently close to the problem addressed by the claimed invention.” *Id.* Accordingly, the Court held that substantial evidence supported the Board’s finding that King and Strasheimer were available as prior art.

The Federal Circuit next considered whether combining the cartridge of Yamada with the cap of King or



Strassheimer would have been obvious to a person of ordinary skill in the field of liquid chromatography. The Court rejected SPP's argument that the Board relied on the inventors' description of the leakage problem, and thus improper hindsight, to find that a person of ordinary skill would have perceived a need to improve the LPLC cartridge of Yamada. The Court explained that "the issue here is not whether the Yamada cartridge leaked, but whether there was a concern with leakage in LPLC cartridges such that a person of ordinary skill would have provided a known pressure-resistant cap, as in King or Strassheimer, to the cartridge of Yamada." *Id.* at 11. The Court then held that substantial evidence supported the Board's finding that there was a leakage concern, and that the Board did not err in holding that it would have been obvious to modify the cartridge of Yamada with the cap of King or Strassheimer.

Judge Moore dissented and would have held that "[t]he Board failed to provide substantial evidence that it would have been obvious to modify Yamada." Moore Dissent at 1. Judge Moore explained that this was an inter partes reexamination with experts on both sides, yet there was no testimony or other evidence of a known leakage problem in prior art cartridges, including the Yamada cartridge. According to Judge Moore, "[i]t is troubling that the majority and the Board rely on the inventor's disclosure of the problem *their inventions solve* as the primary basis for modifying the prior art," which "is hindsight of the worst kind." *Id.* at 3. Judge Moore also dissented for a second, independent reason: The Board found the claims obvious without determining the level of skill in the art, which was disputed by the parties and necessary to determining the analogous art question.

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### **Reexamination Proceedings Do Not Toll the Six-Year Delay for a Presumption of Laches**

*Guang-Yu Zhu*

**Judges: Reyna, Wallach, Hughes (author)**

**[Appealed from W.D. Ky., Chief Judge McKinley, Jr.]**

In *SCA Hygiene Products Aktiebolag v. First Quality Baby Products, LLC*, No. 13-1564 (Fed. Cir. Sept. 17, 2014), the Federal Circuit affirmed the district court's grant of SJ of laches, reversed the district court's grant of SJ of equitable estoppel, and remanded.

SCA Hygiene Products Aktiebolag ("SCA") competes in the market for adult incontinence products with First Quality Baby Products, LLC ("First Quality"). In 2003, SCA sent a letter to First Quality, suggesting that certain First Quality products might infringe SCA's U.S. Patent No. 6,375,646 ("the '646 patent"). First Quality responded, contending that the '646 patent was anticipated by an earlier-filed patent. The parties exchanged four more brief letters, none of which mentioned the '646 patent, after which SCA filed an ex parte reexamination request for the '646 patent. Three years later, in 2007, the PTO confirmed the patentability of the '646 patent and issued several new claims. SCA never notified First Quality about the reexamination proceedings. Finally, in 2010, about six years and nine months after SCA's initial letter to First Quality, SCA filed suit, alleging infringement of the '646 patent. The district court granted First Quality's motion for SJ of both laches and equitable estoppel, and dismissed the case. SCA appealed.

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**"Whether SCA's delay was excusable relates to the question of whether it can rebut the presumption of unreasonable and inexcusable delay, not whether the presumption applies in the first place." Slip op. at 9.**

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On appeal, the Federal Circuit first considered the issue of laches. As a preliminary matter, the Court first held that *A.C. Aukerman Co. v. R.L. Chaides Construction Co.*, 960 F.2d 1020 (Fed. Cir. 1992) (en banc), was still intact after *Petrella v. Metro-Goldwyn-Mayer, Inc.*, 134 S. Ct. 1962 (2014). Specifically, the Court rejected SCA's argument that *Petrella* precluded the application of laches to bar a claim for damages brought within the time allowed by the federal statute of limitations.

The Federal Circuit then held that the reexamination period did not preclude application of the six-year laches presumption. The Court reasoned that "[w]hether SCA's delay was excusable relates to the question of whether it can rebut the presumption of unreasonable and inexcusable delay, not whether the presumption applies in the first place." Slip op. at 9. Turning next to SCA's argument that the '646 patent reexamination provided a reasonable excuse for its delay, the Court disagreed that SCA was required to provide explicit notice of the reexamination, but nevertheless concluded that SCA failed to rebut the presumption of unreasonable delay as a matter of law. The Court explained that "even though SCA's

delay during reexamination may have been excusable when viewed in isolation, [the Court] must examine whether SCA's delay, viewed as a whole, was excusable." *Id.* at 11. And, under the circumstances, the Court concluded that "SCA should have been prepared to reassert its rights against First Quality shortly after the '646 patent emerged from reexamination." *Id.*

The Court next held that SCA failed to rebut the presumption that First Quality suffered economic harm due to SCA's delay in filing suit. The Court pointed to the capital expenditures First Quality made to expand its relevant product lines as well as record evidence suggesting that First Quality would have restructured its activities to minimize infringement liability if SCA had brought suit earlier. Moreover, the Court concluded that SCA's suggestion that, because First Quality considered its underwear business to be important and highly successful, First Quality would have continued its allegedly infringing activities regardless of when SCA filed suit, was based on "pure speculation" and thus failed to raise a genuine issue of material fact. *Id.* at 14.

The Federal Circuit then considered SCA's argument that the district court's refusal to consider the equities fully was an abuse of discretion. While agreeing that "courts should grant relief for laches only after balancing 'all pertinent facts and equities,'" the Court nevertheless held that the district court's "failure to explicitly balance the equities in its decision was . . . harmless error" because none of the factors presented by SCA suggested an abuse of discretion. *Id.* at 15 (quoting *Aukerman*, 960 F.2d at 1034). Finally, the Court refused to entertain SCA's arguments that the district court erred in applying laches to new claims issued during reexamination and to SCA's allegations against products introduced after 2008 because SCA raised the arguments for the first time on appeal.

The Federal Circuit then turned to the issue of equitable estoppel. The Court first held that genuine issues of material fact remained as to whether SCA made a misleading communication to First Quality. The Court noted the "meager" interaction between SCA and First Quality, and reasoned that compared to *Scholle Corp. v. Blackhawk Molding Co.*, 133 F.3d 1469 (Fed. Cir. 1998), and *Aspex Eyewear Inc. v. Clarity Eyewear, Inc.*, 605 F.3d 1305 (Fed. Cir. 2010), "a reasonable juror may be less likely to infer that SCA's subsequent silence misled First Quality." Slip op. at 18. The Court rejected First Quality's assertion that SCA's silence equaled acquiescence to the '646 patent's invalidity. Instead, the Court reasoned that SCA's immediate request for ex parte reexamination of the '646 patent could "reasonably be viewed as inconsistent with SCA's alleged acquiescence." *Id.* at 19.

The Court also held that genuine issues of material fact remained as to whether First Quality detrimentally relied on SCA's silence. Distinguishing "between prejudice that *results from* a patentee's alleged misrepresentation and prejudice caused by *reliance upon* it," the Court held that First Quality's evidence was insufficient to establish reliance. *Id.* at 19-20. The Court explained that First Quality's evidence that it would not have made certain capital investments had it been involved in a lawsuit, while sufficient to establish nexus for the purpose of laches, did not necessarily establish reliance for the purpose of equitable estoppel.

Accordingly, the Court affirmed the district court's grant of SJ of laches, reversed the district court's grant of SJ of equitable estoppel, and remanded for further proceedings.

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### **It Is Impermissible to Collaterally Attack the Board's Decision to Institute Covered Business Method Review in Opposing a District Court's Stay Decision**

*Brandon S. Bludau*

**Judges: Prost (author), Lourie, Hughes**  
**[Appealed from D. Del., Judge Stark]**

In *Benefit Funding Systems LLC v. Advance America Cash Advance Centers Inc.*, Nos. 14-1122, -1124, -1125 (Fed. Cir. Sept. 25, 2014), the Federal Circuit affirmed the district court's order staying litigation pending covered business method ("CBM") review.

Benefit Funding Systems LLC and Retirement Capital Access Management Company LLC (collectively "Appellants") sued Advance America Cash Advance Centers, Inc. et al. ("Appellees"), alleging infringement of U.S. Patent No. 6,625,582 ("the '582 patent"). About ten months into the litigation, one of the Appellees filed a petition with the Board for post-grant CBM review of the asserted claims of the '582 patent. The Board instituted CBM review on the sole basis of subject matter eligibility under 35 U.S.C. § 101. Appellees filed motions to stay the pending district court litigation, which the district court granted after finding that each of the four statutory factors identified in § 18(b) of the Leahy-Smith America Invents Act strongly favored the stay. Appellants filed an interlocutory appeal.

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**"A district court, in the context of a stay determination, need not and should not analyze whether the PTAB might, at some later date, be determined to have acted outside its authority in instituting and conducting the CBM review." Slip op. at 7.**

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On appeal, the Federal Circuit affirmed the district court's stay decision. Observing that "Appellants' argument on appeal rests on the single premise that the PTAB is not authorized to conduct CBM review based on § 101 grounds," the Court held that Appellants' argument was an impermissible collateral attack on the Board's decision to institute CBM review. Slip op. at 6. The Court explained that "[a] district court, in the context of a stay determination, need not and should not analyze whether the PTAB might, at some later date, be determined to have acted outside its authority in instituting and conducting the CBM review." *Id.* at 7. Rather, according to the Court, a challenge concerning the Board's authority to conduct CBM review may be made "in the context of a direct appeal of the PTAB's final decision." *Id.* at 7-8.

The Federal Circuit then held that the district court did not abuse its discretion in granting a stay. The Court noted that if the Board finds the claims to be directed to unpatentable subject matter, such a determination will "dispose of the entire litigation: the ultimate simplification of issues." *Id.* at 8 (quoting *VirtualAgility Inc. v. Salesforce.com, Inc.*, No. 14-1232, 2014 WL 3360806, at \*5 (Fed. Cir. July 10, 2014)). In contrast, according to the Court, if the claims are determined to be directed to patentable

subject matter, Appellees will be estopped from challenging that determination in district court. The Court thus concluded that “[i]n the context of this case, where the only real argument against a stay concerns the authority of the PTAB to conduct the CBM review, those circumstances are sufficient for the district court to conclude that the first and fourth factors favor staying the case.” *Id.* at 8-9. The Court also noted that Appellants presented no basis for challenging the conclusion that the second or third factors also favored a stay.

Accordingly, the Federal Circuit affirmed the district court’s decision staying litigation pending CBM review.

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**October 2014**

### **ITC May Enforce a Consent Order Against a Party to an Investigation When the Party Aids a Third Party's Importation of Products in Violation of the Consent Order**

*Cara R. Lasswell*

**Judges: Newman (author), Moore, Chen**

**[Appealed from ITC]**

In *uPI Semiconductor Corp. v. International Trade Commission*, Nos. 13-1157, -1159 (Fed. Cir. Sept. 25, 2014), the Federal Circuit affirmed the ITC's determination that uPI Semiconductor Corp. ("uPI") violated a Consent Order regarding formerly accused products, affirmed the ITC's modified penalty for the violation, reversed the ITC's determination of no violation regarding uPI's post-Consent Order products, and remanded for further proceedings.

uPI and Richtek Technology Corp. and Richtek USA, Inc. (collectively "Richtek") design and sell DC-DC controllers, which convert direct current from one voltage to another. uPI was founded by former Richtek employees. uPI's chips are imported into the United States either directly or as incorporated into downstream devices.

Richtek filed a complaint with the ITC, alleging that uPI misappropriated Richtek's trade secrets and accusing uPI of importing products infringing Richtek's patents, including U.S. Patent Nos. 7,315,190 ("the '190 patent"); 6,414,470 ("the 470 patent"); and 7,132,717 ("the '717 patent"). After the evidentiary hearing, uPI moved to terminate the investigation by offering to enter into a Consent Order that, among other things, prohibited uPI from importing, selling, or offering for sale, or knowingly aiding, abetting, encouraging, participating in, or inducing the importation, sale, offers for sale, or use of products infringing certain claims of the '190, '470, and '717 patents or products using Richtek's asserted trade secrets. The ALJ entered the Consent Order over Richtek's objection.

Approximately one year after entry of the Consent Order, Richtek filed an Enforcement Complaint alleging that uPI violated the Consent Order. The ALJ entered an Enforcement Initial Determination ("EID") that considered both the products accused in the prior investigation ("the formerly accused products") and products allegedly developed and produced after entry of the Consent Order ("the post-Consent Order products"). The ALJ found that the formerly accused products infringed the '190, '470, and '717 patents, and also incorporated Richtek's trade secrets, and that the post-Consent Order products infringed the '470 and '717 patents but were independently developed and not produced using Richtek's trade secrets. The EID also assessed a civil penalty, finding that a violation of the Consent Order had occurred for seventy-five days. The full Commission reviewed the EID and sustained the ALJ's findings of violation only with respect to the formerly accused products with respect to Richtek's trade secrets and the '190 patent, and reduced the number of days of violation to sixty-two. With regard to the newly identified post-Consent Order products, the ITC found no violation. Both uPI and Richtek appealed.

**“The Consent Order prohibits uPI from knowingly aiding or abetting the importation of DC-DC controllers produced using or containing Richtek trade secrets or infringing Richtek patents, ‘or products containing [the] same.’ The Commission had statutory authority to assess a civil penalty against uPI for its violation of the Consent Order’s knowingly aiding or abetting provision.” Slip op. at 13.**

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On appeal, the Federal Circuit first considered uPI’s argument that the Consent Order did not bar the importation of products by third parties with respect to the formerly accused products. The Court rejected uPI’s argument that, because the investigation ended with a Consent Order rather than a general exclusion order, there could be no liability for importation by third parties even if uPI aided or abetted that importation. The Court stated that substantial evidence supported the ITC’s finding that uPI’s post-Consent Order upstream sales were linked to subsequent downstream importation or sale of the formerly accused products and also that uPI knowingly aided and abetted those imports or sales. The Court noted that the ITC considered the testimony of uPI’s experts in determining the lag time before any violation of the Consent Order occurred and also noted that uPI did not argue that a longer lag time should be adopted on appeal. The Court then examined the evidence from uPI, including spreadsheets and testimony, demonstrating that uPI sold the formerly accused products to downstream customers after the Consent Order issued, and the Court concluded that uPI knew the contract manufacturers were importing downstream products into the United States. The Court found that uPI had not contested this evidence, but rather that uPI argued that the evidence did not link post-Consent Order sales to downstream imports into the United States. The Court rejected this argument, finding that the ITC’s reliance on post-Consent Order sales, post-Consent Order downstream importation, and the testimony of uPI’s executives “reasonably support[ed] the Commission’s finding that uPI violated the knowingly aiding or abetting provision of the Consent Order.” Slip op. at 13. The Court next explained that its decision in “*Kyocera [Wireless Corp. v. International Trade Commission]*, 545 F.3d 1340 (Fed. Cir. 2008),] does not prohibit the Commission from enforcing the Consent Order in accordance with its terms, although the Commission did not impose an exclusion order.” Slip op. at 13. The Court found that the Consent Order prohibited uPI from aiding and abetting importation of DC-DC controllers produced using Richtek’s trade secrets or infringing Richtek’s patents, “or products containing [the] same.” *Id.* The Court thus held that the ITC had statutory authority to assess penalties for violations of the Consent Order’s knowingly aiding or abetting provisions.

The Court next considered uPI’s contention that the ITC improperly imposed liability for direct infringement of the ’190 patent. The Court explained that uPI did not challenge the ITC’s finding that the formerly accused products practiced each element of each asserted claim of the ’190 patent. The Court determined, however, that “[t]he record makes clear [that] the Commission did not find direct infringement,” but rather the ITC imposed liability based on the sale of infringing downstream products that incorporate uPI upstream products, which “constitutes a violation of the Consent Order’s knowingly aiding and abetting provision.” *Id.* at 14.

The Court then reduced the total number of penalty days based on the ITC’s concession that it erred in not reducing the number of days after invalidation of the ’470 patent on reexamination.

The Court next turned to Richtek’s appeals. The Court first observed that the ITC’s findings that the formerly accused products incorporated Richtek’s trade secrets were not disputed. The Court determined, however, that “[t]he record as a whole does not support with substantial evidence the Commission’s finding that uPI’s post-Consent Order products were not produced using Richtek trade secrets.” *Id.* at 16. The Court explained that merely stating “that the post-Consent Order products could have been independently developed is not evidence of independent development itself.” *Id.* at 17. Based on the findings of a number of similar features appearing in both the formerly accused products and the post-Consent Order products, the Court concluded that the post-Consent Order products were “not consistent with independent development.” *Id.* at 18-19. Accordingly, the Court reversed the ITC’s determination that uPI had not violated the Consent Order with respect to the post-Consent Order



products and remanded for further proceedings.

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### Court Can Infer Intent to Deceive PTO from Possession of Undisclosed Material Information and Knowledge of Its Materiality

Arpita Bhattacharyya

**Judges: Prost (author), Newman (dissenting), Wallach**  
**[Appealed from S.D. Cal., Judge Sabraw]**

In *American Calcar, Inc. v. American Honda Motor Co.*, No. 13-1061 (Fed. Cir. Sept. 26, 2014), the Federal Circuit affirmed the district court's determination that American Calcar, Inc.'s ("Calcar") asserted patents were unenforceable due to inequitable conduct.

Calcar holds several patents relating to various aspects of a multimedia system for use in a car to access vehicle information and control vehicle functions. The patents share a common specification and are derived from the same priority application. Calcar sued American Honda Motor Co., Inc. and Honda of America Manufacturing, Inc. (collectively "Honda"), alleging infringement of fifteen of these patents based on navigation systems in Honda's vehicles. Over the course of the proceedings, Calcar dropped certain patents from the suit. Four patents went to trial, three of which—U.S. Patent Nos. 6,330,497 ("the '497 patent"); 6,438,465 ("the '465 patent"); and 6,542,795 ("the '795 patent") (collectively "the asserted patents")—remained at issue on appeal.

Before trial, Honda moved for a finding of inequitable conduct based on the failure of Calcar's founder, Mr. Obradovich, to disclose an owner's manual and photographs of a 1996 Acura RL ("96RL") navigation system to the PTO during prosecution. At trial, the jury rendered an advisory finding of no inequitable conduct as to the asserted patents. Following the verdict, however, the district court ruled that the asserted patents were unenforceable based on Mr. Obradovich's actions. Calcar appealed. While Calcar's appeal was pending, the Federal Circuit established a revised test for inequitable conduct in *Therasense, Inc. v. Becton, Dickinson & Co.*, 649 F.3d 1276 (Fed. Cir. 2011) (en banc). In light of *Therasense*, the Federal Circuit affirmed the finding of materiality for the '497 patent, vacated the district court's determinations of materiality and intent for the '465 and '795 patents, and remanded for further findings by the district court. On remand, the district court found that all three asserted patents were obtained through inequitable conduct. Calcar filed a second appeal.

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**“'[B]ecause direct evidence of deceptive intent is rare, a district court may infer intent from indirect and circumstantial evidence,' provided that such intent is the single reasonable inference.” Slip op. at 9 (quoting *Therasense, Inc. v. Becton, Dickinson & Co.*, 649 F.3d 1276, 1290-91 (Fed. Cir. 2011) (en banc)).**

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On appeal, the Federal Circuit first considered whether the district court clearly erred in its finding of

materiality with respect to the '465 and '795 patents. The Court observed that the PTO and the district courts employ different evidentiary standards, and that a reference may be material even if the district court does not invalidate a patent based on the reference. The Court rejected Calcar's argument that the district court failed to account for the differences between the 96RL navigation system and the claims. The Court explained, however, that the district court addressed the differences when the district court found that the only difference between the claims and the 96RL navigation system was in the nature of the information contained in the systems. The Court also observed that the district court determined that the PTO would not have allowed the claims based on this difference because "it would have been obvious to a person of ordinary skill in the art to include different information in the 96RL navigation system." Slip op. at 8 (citation omitted). The Court disagreed with Calcar that the district court's language regarding the "same function," "same way," and "same result" improperly applied a DOE analysis to the question of obviousness. *Id.* The Court explained that the district court's language merely summarized why the substitution of one kind of information for another "would [have been] an obvious, and thus unpatentable, invention." *Id.* Based on this finding, the Court affirmed the district court's determination that the undisclosed details of the 96RL navigation system were material to the patentability of the '465 and '795 patents. The Court also noted that the previous appeal had affirmed the finding of materiality to the '497 patent.

Next, the Court considered whether Calcar acted with intent to deceive the PTO by withholding the material information. The Court explained that partial disclosure of material information to the PTO "cannot absolve a patentee of intent if the disclosure is intentionally selective." *Id.* at 9. The Court noted that the district court found that Mr. Obradovich possessed material information and knew that the information was material based on his testimony and knowledge of the 96RL navigation system, and that Mr. Obradovich acknowledged the importance of the information he possessed. The Court also considered the district court's finding that "the single reasonable inference based on the facts regarding Mr. Obradovich's role in developing the patent application was that Mr. Obradovich deliberately decided to withhold the information from the PTO." *Id.* at 10. The Court also noted that the district court had found that Mr. Obradovich's testimony about his knowledge and possession of the withheld documents lacked credibility. Although the Court acknowledged the jury's advisory verdict finding no inequitable conduct, it explained that the district court was not bound by the jury's finding and that the district court's determination was based on evidence that the jury had not seen. Based on these findings, the Court determined that the district court did not clearly err in its underlying factual findings of materiality and intent. Accordingly, the Court held that the district court's analysis was consistent with the standards and tests set forth in *Therasense*, and that the district court did not abuse its discretion in finding the asserted patents unenforceable due to inequitable conduct.

The Court therefore affirmed the district court's judgment that the '497, '465, and '795 patents were obtained through inequitable conduct and are thus unenforceable.

Judge Newman dissented. According to Judge Newman, the factual premises for finding inequitable conduct were not met in this case. Judge Newman asserted that the majority incorrectly applied the *Therasense* standards, ignored the PTO reexamination, and cast aside the jury's findings of no inequitable conduct.

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### **Where Patentee Failed to Rebut Presumption of Prosecution History Estoppel, the Patentee Is Barred from Asserting that the Accused Device Infringes Under the DOE**

Corinne Miller LaGosh

**Judges: Prost (author), O'Malley, Hughes**  
**[Appealed from D. Mass., Judge Woodlock]**

In *EMD Millipore Corp. v. AllPure Technologies, Inc.*, No. 14-1140 (Fed. Cir. Sept. 29, 2014), the Federal Circuit affirmed the district court's finding of SJ that the accused device did not literally infringe and further found that prosecution history estoppel prevented assertion of the DOE.

EMD Millipore Corporation, formerly known as Millipore Corporation; Merck Chemicals and Life Science AB, formerly known as Millipore AB; and Millipore SAS (collectively "Millipore") own the rights to U.S. Patent No. 6,032,543 ("the '543 patent"). The '543 patent discloses a device for introducing or withdrawing a sample from a container holding a fluid medium without contamination by using individual transfer members to maintain a closed system. The accused TAKEONE device manufactured by AllPure Technologies, Inc., now known as AllPure Technologies LLC ("AllPure"), is an aseptic sampling system that may be attached to the outside of a container holding a fluid medium and has cannulas that can be inserted into the container to withdraw a sample. The accused TAKEONE device is delivered fully assembled and sterilized, and it is intended to be disposable. AllPure filed a motion for SJ of noninfringement. The district court found that AllPure's TAKEONE device neither literally contained the claimed "removable, replaceable transfer member" nor did it provide an infringing equivalent, and the district court rejected Millipore's argument that a disassembled TAKEONE device satisfied the claim limitation in the '543 patent. Slip op. at 5 (citation omitted). The district court further found that the accused TAKEONE device did not provide an infringing equivalent of the limitation. Millipore appealed.

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**"The district court should have proceeded under the presumption that prosecution history estoppel applies. Millipore then had the burden to rebut the presumption through one of the three enumerated exceptions, but Millipore chose not to present any argument on this issue to the district court." Slip op. at 12.**

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On appeal, Millipore argued that SJ was inappropriate because there remained a genuine issue of material fact relating to whether disassembly of the transfer member could qualify as the claimed removal of the transfer member. The Federal Circuit, considering the district court's construction of "at least one removable, replaceable transfer member" as "at least one transfer member that can be removed from the magazine part of the device and replaced with at least one removable, replaceable transfer member," did not find Millipore's argument persuasive and instead agreed with AllPure and the district court. *Id.* at 7 (citation omitted). The Court explained, "If a transfer member does not exist when the device is

disassembled, as even Millipore's counsel admitted, then there is no genuine issue of material fact over whether the TAKEONE device contains a 'removable, replaceable transfer member' as is literally required by claim 1 of the '543 patent." *Id.* at 8-9. The Federal Circuit, relying on language from the district court's decision, stated that "[t]he problem with Millipore's characterization of 'removal' of a transfer member . . . is the absence of necessary component parts of the transfer member once it is removed . . . . [T]he part of the device removable from the magazine part must have all of the component parts—a holder, needle, and seal." *Id.* at 9 (alterations in original) (citation omitted). Accordingly, the Federal Circuit determined that the accused TAKEONE device, when disassembled, lacked a seal and thus lacks the claimed "removable, replaceable transfer member."

The Federal Circuit then turned to the district court's grant of SJ, finding noninfringement under the DOE. The Court, disagreeing with Millipore, concluded that the district court did not need to perform an analysis under the DOE because prosecution history estoppel barred Millipore's arguments. The Court explained that because certain amendments made during prosecution were narrowing and those amendments were added to overcome a rejection, "[t]he district court should have proceeded under the presumption that prosecution history estoppel applies." *Id.* at 12. At that point, the Court explained, Millipore had the burden to rebut the presumption, which it failed to do. Instead, Millipore argued that the amendment was not narrowing. Since Millipore failed to rebut the presumption, the Federal Circuit concluded that the district court should have barred Millipore from making arguments that the accused TAKEONE device infringed under the DOE. The Federal Circuit further explained that because the district court granted SJ of noninfringement under the DOE, this error did not change the outcome of the case.

Accordingly, the Federal Circuit affirmed the district court's entry of SJ because there was no genuine issue of material fact as to whether the accused TAKEONE device contained, either literally or under the DOE, a "removable, replaceable transfer member."

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### **Looking Ahead**

On October 6, 2014, the Federal Circuit heard oral arguments in *University of Utah Research Foundation v. Amry Genetics Corp.*, Nos. 14-1361, -1366. This appeal involves a district court's denial of a preliminary injunction for several asserted patents related to hereditary cancer tests. The district court based its denial, in part, on a determination that Amry Genetics Corp. had raised a substantial question as to whether the claims of several patents were patent eligible under 35 U.S.C. § 101. On appeal, the Federal Circuit may provide guidance for interpreting the Supreme Court's recent decision in *Association for Molecular Pathology v. Myriad Genetics, Inc.*, 133 S. Ct. 2107 (2013), and the "laws of nature" exception under 35 U.S.C. § 101 when addressing the denial of a preliminary injunction.

Read the full summary in a future edition of *Last Month at the Federal Circuit*.

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### **Spotlight Info**

In *buySAFE, Inc. v. Google, Inc.*, No. 13-1575 (Fed. Cir. Sept. 3, 2014), the Federal Circuit affirmed the district court's determination that the asserted claims were invalid under 35 U.S.C. § 101 for being directed to patent-ineligible subject matter. On appeal, the Federal Circuit first considered whether the asserted claims fell into one of the exceptions to patent eligibility under § 101. The Court explained that the excluded categories—laws of nature, natural phenomena, and abstract ideas—may apply “even if the particular natural law or phenomenon or abstract idea at issue is narrow.” Slip op. at 5 (citing *Mayo Collaborative Servs. v. Prometheus Labs., Inc.*, 132 S. Ct. 1289, 1303 (2012)). After setting forth the Supreme Court's two-part test outlined in *Mayo* and *Alice Corp. v. CLS Bank International*, 134 S. Ct. 2347 (2014), the Court determined that the asserted claims were “squarely about creating a contractual relationship—a ‘transaction performance guaranty’—that is beyond question of ancient lineage.” Slip op. at 9 (citation omitted). See this month's edition of *Last Month at the Federal Circuit* for a full summary of this decision.

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