



PATENT HAPPENINGS

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HIGHLIGHTS

1. *En banc* hearing on patentability of business methods and processes with only abstract or mental steps 1
2. Paying royalties under protest did not support licensee estoppel to preclude declaratory judgment validity challenge 2
3. Courts should consider convenience factors when deciding if the first-to-file rule applies 3
4. No actual case or controversy triggered by providing notice letter of the issuance of a patent without any comment on infringement 3
5. Attorney fees and penalty assessed for presenting misleading arguments to the jury that sought to avoid adjudicated claim construction . 4
6. 12-year delay in seeking a certificate of correction did not support intervening rights, prosecution laches, patent misuse, waiver, or implied license, but could support traditional laches and equitable estoppel 5
7. Ordinary function performed by claim term used to construe structural requirements 6
8. Failing to enable alternative embodiment led to summary judgment of invalidity 7
9. Two Federal Circuit cases on amendment-based estoppel 7
10. Implicit motivation to combine raised a substantial question on validity to preclude preliminary injunction 8
11. Offering “production units” precludes experimental-use to avoid an on-sale bar 9
12. Witnesses may be cross examined on whether they worked with a jury consultant 10
13. USPTO proposes changes to rules regarding the deposit of biological materials 10
14. PTO’s report to congressional oversight committee 10

JUDICIAL HAPPENINGS

En Banc Hearing on Business Method Claims

On its own initiative, and before issuing a panel decision, the Federal Circuit ordered an *en banc* hearing to consider the question of patentability of business methods and process claims relying on abstract steps in *In re Bilski*, No. 2007-1130. 2008 WL 417680 (Fed. Cir. Feb. 15, 2008).

The Board affirmed the examiner’s rejection for lack of patentable subject matter of claims directed to “[a] method for managing [i.e., hedging] the consumption risk costs of a commodity sold by a commodity provider at a fixed price.”¹ Noting that the claims did not recite how the process steps are implemented, the Board found that the claims covered a process of mental steps since the steps could be performed without any machine or apparatus. Accordingly, the Board held that the claims are directed to nonpatentable subject matter under § 101 because they 1) “do[] not transform physical subject matter to a different state or thing,” 2) claim “an ‘abstract idea,’” and 3) “do[] not recite a ‘practical application’ or produce a ‘concrete and tangible result’ under the *State Street* test, to the extent that *State Street* applies to non-machine-implemented process claims.”²

In its order for *en banc* hearing, the Federal Circuit directed the parties to simultaneously file supplemental briefs by March 6, 2008 that address the following five questions:

- (1) Whether claim 1 of the 08/833,892 patent application claims patent-eligible subject matter under 35 U.S.C. § 101?
- (2) What standard should govern in determining whether a process is patent-eligible subject matter under section 101?

¹ *Ex Parte Bernard L. Bilski And Rand A. Warsaw*, No. 2002-2257, App. 08/833,892, 2006 WL 4080055 (BPAI Sept. 26, 2006).

² *Id.* 2006 WL 4080055 at *21.

(3) Whether the claimed subject matter is not patent-eligible because it constitutes an abstract idea or mental process; when does a claim that contains both mental and physical steps create patent-eligible subject matter?

(4) Whether a method or process must result in a physical transformation of an article or be tied to a machine to be patent-eligible subject matter under section 101?

(5) Whether it is appropriate to reconsider *State Street Bank & Trust Co. v. Signature Financial Group, Inc.*, 149 F.3d 1368 (Fed. Cir. 1998), and *AT&T Corp. v. Excel Communications, Inc.*, 172 F.3d 1352 (Fed. Cir. 1999), in this case and, if so, whether those cases should be overruled in any respect?

Amicus briefs are due on April 7, 2007 and may be filed without leave of court. The court will hold oral argument on May 8, 2008.

Four days earlier, in *In re Nuijten*, No. 2006-1371, 2008 WL 361044 (Fed. Cir. Feb. 11, 2008), another § 101 subject matter case, the Federal Circuit denied a petition for *en banc* rehearing. The panel decision in *Nuijten*³ held that electronic signals do not qualify as patentable subject matter under § 101. Judge Linn, joined by Judges Rader and Newman dissented from the denial of the petition for *en banc* rehearing. Judge Linn based his denial on the same reasons he expressed in his dissent of the original panel decision.⁴

No Licensee Estoppel on Invalidity DJ Claim

On remand from the Supreme Court,⁵ the district court in *MedImmune, Inc. v. Genentech, Inc.*, 2008 WL 370620, *13-*15 (C.D. Cal. Feb. 7, 2008), rejected the patentee's argument that the licensee's failure to repudiate the license agreement, but to continue to pay royalties "under protest," required applying licensee estoppel to bar the licensee's claims for a declaratory judgment of invalidity. The patentee relied on *Studiengesellschaft Kohle, M.B.H. v. Shell Oil Co.*, 112 F.3d 1561 (Fed. Cir. 1997), a case where the Federal Circuit held that a licensee must repudiate a license

agreement to avoid its obligation to pay past royalties even if it successfully proves an invalidity defense after being sued by the patentee. According to the patentee, the repudiation requirement of *Kohle* should apply before any licensee can challenge the validity of the patent. The district court rejected this argument. It concluded that if the licensee has brought a declaratory judgment action challenging the validity of the licensed patent in an effort to nullify its obligation to pay *future* royalty payments, the licensee has met the requirement of giving notice to the patentee and the public regarding its questions as to the validity of the patent even though it continues to pay under protest currently owed royalties. After considering the relevant precedents, the district court concluded:

[A]s in *Kohle*, MedImmune continues to benefit in some ways by retaining the protection of the license. But unlike in *Kohle*, MedImmune is not "depriving the public of the full and free use of the patented product by withholding a successful challenge to validity." A party can "challenge" the validity of a patent by ceasing payment of royalties and notifying the licensor of its beliefs, or by affirmatively seeking declaratory judgment that the patent is invalid, as MedImmune has done here.

Id. at *14. The district court further stated that "where invalidity has been raised affirmatively by the licensee, the *Lear* Court's reasoning applies in full force even though MedImmune has not repudiated the license: to prevent MedImmune from challenging the validity of the patent would give greater weight to the technicalities of contract doctrine than to federal patent policy." *Id.* at *15.

Further, while the district court refused to dismiss the licensee's invalidity challenge, it did rule that the patentee mooted the invalidity challenges to all but one claim of the patent where the patentee had given the licensee a partial covenant not to sue on all but the one reserved claim of the patent. The court further held that the partial covenant did not moot the inequitable conduct defense to the remaining claims because inequitable conduct as to any claim of a patent renders all the claims unenforceable. *Id.* at *3-*6.

Of note, in an earlier opinion, the district court granted the patentee's motion to strike the licensee's demand for a jury trial on the invalidity and unenforceability claims. The court ruled that because, in view of the license, the patentee could not assert any claim for money damages, or even equitable relief, against the licensee, there was no right to a jury trial.

³ *In re Nuijten*, 500 F.3d 1346 (Fed. Cir. 2007) (holding signal claims not patentable subject matter).

⁴ An *en banc* petition is still pending for *In re Comiskey*, 499 F.3d 1365 (Fed. Cir. 2007), the third § 101 case currently before the court.

⁵ *Medimmune, Inc. v. Genentech, Inc.*, 127 S.Ct. 764 (2007) (reversing dismissal of licensee's declaratory judgment claim where licensee continued to pay royalties under protest).

2008 WL 445839, *8 (C.D. Cal. Jan. 10, 2008).⁶

First-to-File Rule Under *MedImmune*

Addressing aspects of jurisdiction for declaratory judgments, including the first-to-file rule, the Federal Circuit reversed a dismissal of an accused infringer's first-filed declaratory judgment action in *Micron Technology, Inc. v. Mosaid Technologies, Inc.*, No. 2007-1080, 2008 WL 540182 (Fed. Cir. Feb. 29, 2008). In *Micron*, the plaintiff had filed a declaratory judgment action in the Northern District of California. The next day the patentee filed an infringement action in the Eastern District of Texas. Applying the then existing "reasonable apprehension standard," the California court granted the patentee's motion to dismiss the declaratory judgment for lack of subject matter jurisdiction.⁷ The district court ruled that the patentee's four-year history of suing unrelated accused infringer's did not create a reasonable apprehension of suit for the declaratory judgment plaintiff, even though the patentee had also sent the plaintiff warning letters without threatening to sue. Alternatively, the district court held that even if it had subject matter jurisdiction it would exercise its discretion and decline to hear the action since the patentee's second-filed infringement suit was allegedly broader than the plaintiff's suit.

Applying *MedImmune*, the Federal Circuit reversed. It held that patentee's history of suing other accused infringers, its public statements of its intent to continuing pursuing its aggressive litigation strategy, coupled with the warning letters it sent to the plaintiff, showed a "real and substantial dispute" between the parties. *Id.* at *3. This met the standard for a declaratory judgment under *MedImmune*. Indeed, Judge Rader commented that "[t]he Declaratory Judgment Act exists precisely for situations such as this." *Id.* at *4.

Focusing next on the district court's discretion in declining to hear a declaratory judgment actions, the Federal Circuit instructed that where the patentee has a later-filed infringement action, the district court should consider the § 1404(a) convenience factors in determining whether to apply the first-to-file rule to give precedence to the declaratory judgment action or to the patentee's infringement action. Noting that the race to the court house may best be judged by an

⁶ See generally Robert A. Matthews, Jr., ANNOTATED PATENT DIGEST § 37:6 Right to Jury Trial on Merits of a Declaratory Judgment Claim [hereinafter "APD"].

⁷ 2006 WL 3050865, *2 (N.D. Cal. Oct. 23, 2006).

evaluation of the convenience factors, Judge Rader explained:

These "convenience factors" take on added significance in light of the newly understood legal environment surrounding declaratory judgment jurisdiction in patent cases. Given the greater likelihood of jurisdiction for declaratory judgment filers, these potential defendants will have greater opportunity to race to the courthouse to seek a forum more convenient and amenable to their legal interests. By the same token, patent holders will similarly race to protect their convenience and other perceived advantages. Therefore, the district court judge faced with reaching a jurisdictional decision about a declaratory judgment action with an impending infringement action either filed or on the near horizon should not reach a decision based on any categorical rules. The first-filed suit rule, for instance, will not always yield the most convenient and suitable forum. Therefore, the trial court weighing jurisdiction additionally must consider the real underlying dispute: the convenience and suitability of competing forums. In sum, the trial court must weigh the factors used in a transfer analysis as for any other transfer motion. In other words, this court notes that when the discretionary determination is presented after the filing of an infringement action, the jurisdiction question is basically the same as a transfer action under § 1404(a).

Id. at *7. Applying this analysis, the Federal Circuit held that the California forum was the more convenient forum since the patentee's U.S. operations were based in the forum, the availability of witness did not favor the Texas forum, nor did it appear that the Texas forum has other suits involving the same patents, and the plaintiff's declaratory judgment action included patents that were not issue in the patentee's second-filed action. Hence, the court found that, the forum of the first-filed declaratory judgment action was the more convenient forum for both parties. *Id.*

Notice Letter Did Not Create DJ Jurisdiction

Relying on the "affirmative act" requirement of *SanDisk Corp. v. ST Microelectronics, Inc.*,⁸ the district court in *Baker Hughes Oilfield Operations, Inc. v. Reedhycalog UK, Ltd.*, 2008 WL 345849, *2-*3 (D. Utah Feb. 6, 2008), granted a patentee's motion to dismiss a plaintiff's declaratory judgment claims for

⁸ 480 F.3d 1372, 1381, (Fed. Cir. 2007).

lack of an actual case or controversy. The district court held that letters sent by the patentee to the plaintiff, advising the plaintiff of recently issued patents and pending patent applications, did not constitute an “affirmative act” to enforce the patents, and therefore were not sufficient to show an actual case or controversy to support a declaratory judgment claim. The district court found that the patentee’s internal documentation showed that at the time it sent the letters the patentee was only evaluating whether the plaintiff infringed and possibly was gearing up for litigation. But, when the plaintiff had filed its declaratory judgment suit, the patentee had not communicated to the plaintiff any indication that the patentee had taken a position regarding any infringement by the plaintiff. According to the court, therefore, “the dispute had not yet become ‘definite and concrete, touching the legal relations of parties having adverse legal interests.’” Further, the letters from the patentee “did not communicate to [the plaintiff] anything that would indicate [the patentee] had taken ‘a position that puts [the plaintiff] in the position of either pursuing arguably illegal behavior or abandoning that which he claims a right to do.’” While the patentee did file an infringement suit in a different forum after the plaintiff had filed its declaratory judgment action, the district court held that suit did not impact its analysis because post-filing facts may not be used to support a showing of subject matter jurisdiction on the date the plaintiff filed its action.

Attorneys’ Fees for Misleading Jury Presentations

Assessing attorney’s fees against a patentee under 35 U.S.C. § 285, and the law firm that represented the patentee under 28 U.S.C. § 1927 and its inherent authority, the district in *Medtronic Navigation, Inc. v. BrainLAB Medizinische Computersystems GmbH*, 2008 WL 410413 (D. Colo. Feb. 12, 2008), held that the patentee acted in bad faith by continuing to prosecute its infringement claim after the court’s claim construction should have made it obvious that there could be no infringement. The court rejected the patentee’s argument that because the court denied the accused infringer’s summary judgment motions, allowed the case to proceed to trial, and did not “do enough to restrain the patentee,” the patentee could not have litigated the case in bad faith. Rejecting this argument, the court held that the patentee and its counsel, upon receiving the court’s claim construction order, “had a duty to reexamine this litigation and make an objective assessment of the validity of

Medtronic’s claims that BrainLAB’s products infringed the patent claims as construed.” *Id.* at *5. Further, the court ruled that the patentee and its counsel “were obliged to accept those [claim construction] rulings as the law of the case and proceed with an appeal by requesting certification of an interlocutory appeal or conceding the summary judgment motions.” In the court’s view the circumstances justified sanctions because “[r]ather than accept that the claims construction rulings stripped the merits from this case, counsel chose to pursue a strategy of distorting those rulings, misdirecting the jury to a different reading of the claim language, and blatantly presenting the jury with a product to product comparison contrary to established law and the Court’s cautionary instructions.” *Id.* The court also stated that its “denial of BrainLAB’s [summary judgment] motions did not relieve Medtronic of its duty to evaluate its claims,” and that its “rulings certainly were not a license for Medtronic to engage in abusive conduct at trial.” *Id.* at *9.

The district court specifically found egregious fault with the patentee’s use and distortion of the accused infringer’s statement in its 510(k) FDA submission that its accused product was “substantially equivalent” to the patentee’s commercial product. During the trial, the court had ruled that the patentee could not prove infringement by a product-to-product comparison, but had apparently allowed the accused infringer’s 510(k) statement into evidence.⁹ In its rebuttal closing argument, the patentee’s trial counsel effectively argued to the jury that the 510(k) statement was an admission of infringement and misleadingly led the jury to perform a product-by-product comparison. The court found this untenable given that “Medtronic’s counsel were experienced patent litigators who understood the differences between the doctrine of equivalents and the FDA process. They knew that BrainLAB’s statements in its FDA submission were not an admission that the BrainLAB products infringed the asserted patents.” *Id.* at *7. The court noted that in another case the patentee had “argued that admission of similar statements it made in an FDA application would be misleading and unfairly prejudicial.” *Id.* Accordingly, the court concluded that the argument based on the “admission” in the 510(k) statement

⁹ The greater weight of authority discounts using 510(k) statements as evidence to prove infringement. See APD § 44:86 Admissions of “Substantially Equivalent” or “Bioequivalent” in FDA Submissions.

proved “that Medtronic crafted and executed an intentionally misleading trial strategy.” *Id.* at *8. The court concluded by noting that “[p]atent law is complex and not intuitive to the average juror. Parties and counsel have an obligation to refrain from seeking to take advantage of those complexities by employing misleading strategies.” *Id.* at *9. As a consequence, the court declared the case exceptional and awarded attorneys’ fees to the accused infringer for the period of time beginning when the accused infringer filed its summary judgment motions.

The court additionally sanctioned the law firm representing the patentee under 28 U.S.C. § 1927 for vexatious conduct arising from its conduct in continuing to prosecute the infringement claim after the claim’s lack of merit became apparent. Characterizing the trial counsels’ conduct as “reflecting an attitude of ‘what can I get away with?’” the court found that the trial lawyers disregarded the duty of candor they owed to the court by presenting arguments, such as the 510(k) admission, that “artfully avoided the limitations of the patent claims and created an illusion of infringement,” and “did so with full awareness that their case was without merit.” *Id.* Noting the possibility that § 1927 may only provide authority to sanction individual attorneys, the court also held that it was sanctioning the law firm under its inherent authority. *Id.* at *10.

Two weeks later, in *Depuy Spine, Inc. v. Medtronic Sofamor Danek, Inc.*, 2008 WL 483585, *1-2 (D. Mass. Feb. 25, 2008), the district court sanctioned another Medtronic entity for attorneys fees and imposed an additional monetary penalty for what it characterized as “elect[ing] to proceed with a defense that threatened to mislead and confuse the jury.” Specifically, to avoid a finding of infringement under the doctrine of equivalents the accused infringer, in the court’s view, had “essentially urged the jury to adopt an interpretation of the patent claims developed by their experts instead of the construction mandated by the Federal Circuit.” *Id.* at *1. The court viewed this tactic as something “to have been wholly based on an attempt to obscure, evade, or minimize the Federal Circuit’s construction of the patent-in-suit.” *Id.* Relying on *Brainlab*, the court further concluded that “entitlement to put on a defense should not be interpreted as a green-light to dispense with the controlling claim construction.” *Id.* at *2. Rather, “[t]he only legitimate options available to the defendants were to proceed with a theory of the case

that was consistent with the Federal Circuit’s claim construction or abandon a doctrine of equivalents defense and focus on ensnarement and damages.” *Id.* Here, however, the court found that “[t]he defendants elected to proceed with a defense that threatened to mislead and confuse the jury” and “clearly sought to take advantage of the technical and legal complexities inherent in this case.” *Id.* Consequently, the court ruled that the “defendants’ litigation tactics imposed a needless cost upon the plaintiffs,” and therefore, some sanctions were appropriate for the improper doctrine of equivalents defense, even though the accused infringer had properly raised other defenses. As a “measured and proportionate sanction,” the court awarded the patentee fifteen percent of the attorneys’ fees it incurred after the Federal Circuit had issued its mandate with the controlling claim construction. *Id.* Exercising its inherent authority to sanction litigants, the court additionally assessed a ten million dollar penalty against the accused infringer. It explained that the “sanction reflects not only to the magnitude of the malfeasance, but also the need to provide a disincentive for such conduct in the future.” *Id.* at *2 n.3. Noting that the jury had awarded 226 million dollars for the infringement, the court justified the ten million dollar penalty by stating that “[w]here the amount in controversy in a case is large (as was the case here), the prospective penalty for litigation misconduct, if it is to serve the purpose of deterring that conduct, should also be large.” *Id.*

Delay in Filing a Certificate of Correction

Addressing the consequences of a patentee’s unreasonable delay in seeking a certificate of correction, the court in *Lucent Tech., Inc. v. Microsoft Corp.*, 2008 WL 410692 (S.D. Cal. Feb. 12, 2008), held that a patentee’s twelve-year delay in obtaining a certificate of correction to correct a PTO printing error in the claim language did not give rise to prosecution laches, intervening rights, patent misuse, implied license, or waiver. The delay could support defenses of traditional laches, equitable estoppel, and unclean hands; at least to the extent of denying the patentee’s motion for summary judgment seeking to dismiss these defenses.

On the issue of prosecution laches, the court held that because the delay in seeking the certificate of correction did not operate to postpone the time when the public could freely use the patented technology, the court would not extend existing precedent to hold that prosecution laches barred the infringement claim. *Id.*

at *10.¹⁰ The court did note, however, that it would consider the delay as part of assessing the totality of the circumstances for traditional laches and whether the patentee unduly delayed in asserting its claim when it brought suit five months after it obtained the certificate of correction. *Id.* at *11.

The court also held that the delay could support an equitable estoppel defense since the accused infringer had obtained a prior judgment that the issued claim in uncorrected form was indefinite and had relied on that invalidity ruling in developing and launching new products. *Id.* at *13.

The court refused to hold that the arguments in support of equitable estoppel also supported a defense of implied license. Ruling that equitable estoppel only requires misleading conduct, while a defense of implied license requires an affirmative act of consent by the patentee, the court held that the failure to timely seek a certificate of correction did not amount to an affirmative act of consent. *Id.* at *13.

Similarly, the court rejected the accused infringer's argument that the delay supported a defense of waiver because the delay did not show a clear intent to waive the right to enforce the patent once corrected. *Id.* at *14.

The accused infringer also argued that the patentee intentionally delayed seeking the certificate of correction and that this constituted unclean hands. Viewing the facts in the light most favorable to the accused infringer, the court agreed that an intentional delay could possibly support a defense of unclean hands, and therefore denied the patentee's motion for summary judgment seeking to dismiss that defense. *Id.* at *15.

On the allegation of patent misuse, the court held that the patentee's delay in correcting the error and then bringing a second suit to enforce the corrected patent did not qualify as patent misuse. *Id.* at *16.

Finally, the court rejected the accused infringer's argument that intervening rights applicable to reissue applications, should apply when a patentee corrects a patent with a certificate of correction. Noting a lack of authority from the Federal Circuit on extending § 252 to certificates of correction and that the "plain language of the statute . . . only applies these rights to reissued patents," the court declined to extend the

intervening rights doctrine to certificates of correction. *Id.* at *18.

Using Function to Construe Structure

The Federal Circuit relied on the function attributable to the ordinary meaning of a structural claim term to aid it in construing the term in *Miken Composites, L.L.C. v. Wilson Sporting Goods Co.*, No. 2006-1628, 2008 WL 313918 (Fed. Cir. Feb. 6, 2008). The claim at issue concerned a baseball bat having a hollow tubular frame and "an *insert* positioned within the frame." Asserting the patent against a carbon composite bat having an internal member to which successive layers of composite material were directly applied to form the bat, the patentee argued that the member met the "insert" limitation literally or under the doctrine of equivalents. Construing the term "insert" according to its ordinary and customary meaning as "something inserted or intended for insertion," the district court held that the term required a structural component that was or could be inserted. Since the member in the accused product lacked that capability because the outer surface of the bat was formed from layers wrapped directly on the member, the court held that the composite bat did not infringe.

On appeal, the Federal Circuit agreed with the district court. It found nothing in the intrinsic evidence showing that inventor intended to deviate from the ordinary and customary meaning of "something inserted or intended for insertion." Noting that "[i]t is the language of the claims not the argument that governs," *id.* at *4, the court instructed that had the patentee wanted a claim scope broad enough to cover the member in the accused product, the patentee could have, and should have, used different claim language, such as an "internal structural member." *Id.*¹¹

The Federal Circuit also rejected the patentee's argument that the district court impermissibly imported a process limitation into a product claim by construing "insert" to require the capability of being inserted. Given that the functional aspect helped to define the structural characteristics that the "insert" had to possess, the Federal Circuit stated "[t]hat this ordinary meaning has functional attributes does not change the fact that the claim recites a structural component, albeit one possessed with certain understood characteristics."

¹⁰ See generally APD § 11:160 Unreasonable Delays in Prosecuting Patent to Issuance.

¹¹ See also APD § 5:43.25 —Inventor "Could Have Claimed" Contentions to Support Narrow Claim Construction.

Id. at *5.¹²

Finally, the Federal Circuit ruled that, under the circumstances, the patentee erred in attempting to apply an unusual meaning to the term “insert” in a manner broader than its ordinary and customary meaning of the term. The court instructed that “[b]ased on *Phillips*, a claim term should not be read to encompass a broader definition ‘in the absence of something in the written description and/or prosecution history to provide explicit or implicit notice to the public—i.e., those of ordinary skill in the art—that the inventor intended a disputed term to cover more than the ordinary and customary meaning revealed by the context of the intrinsic record.’” *Id.* at *5. Because the patentee failed to identify anything in the intrinsic evidence that gave notice of the unusually broad scope of the term it asserted, the patentee’s proposed construction had to be rejected. *Id.*

Failing to Enable Alternative Embodiment

Striking down yet another patent where a patentee attempted to stretch its claims to cover an alternate embodiment of implementing its invention but failed to provide an enabling disclosure of that embodiment,¹³ the Federal Circuit affirmed a summary judgment of invalidity in *Sitrick v. Dreamworks*, No. 2007-1174, 2008 WL 269443, *4-*6 (Fed. Cir. Feb. 1, 2008). The patent at issue concerned a device that permitted integrating a user’s audio signal or visual image into a preexisting video game or movie. The patentee urged that the claims should be broadly construed to cover use of the technology in both video games and in movies. Accepting this broad construction of the claims, the Federal Circuit instructed that “[b]ecause the asserted claims are broad enough to cover both movies and video games, the patents must enable both embodiments.” *Id.* at *5. The specification provided a detailed disclosure of using the invention in the context of video games. But the specification did not teach how to carry out certain claim requirements in the context of using the invention with movies. Further, the accused infringer had presented expert testimony that the technology involving video games differed significantly from movies such that one of skill in the

art could not simply take the patent’s teachings related to video games and apply them to movies. In view of this evidence, the Federal Circuit affirmed the summary judgment of invalidity. The court rejected the patentee’s arguments that a declaration it proffered from its technical expert raised a genuine issue of fact that the patent enabled the use of the invention with movies. The declaration was conclusory and the expert conceded that while he was an expert on video games, he was not an expert on movies. Hence, his declaration did not create an issue of fact on the issue of whether the patent enabled one of skill in the art to practice the invention with movies. *Id.* at *6.

Amendment-Based Prosecution History Estoppel

The Federal Circuit, in *Int’l Rectifier Corp. v. IXYS Corp.*, No. 2007-1063, 2008 WL 353012 (Fed. Cir. Feb. 11, 2008), reversed a judgment of infringement after ruling that a claim amendment made during prosecution, while broadening some aspects of the claim, also narrowed the claim with respect to a limitation allegedly met under the doctrine of equivalents, and therefore, the amendment created an amendment-based prosecution history estoppel. The claims at issue were directed to transistors having different regions with different electrical properties. During prosecution the examiner had issued a § 112 rejection on the basis that some of the claimed aspects were not described in the specification. To overcome the rejection, the applicant deleted some claim limitations, thereby broadening the claim. But the applicant also amended the claims to add the requirement that one specific region had to “adjoin” another specific region. In an effort to avoid a prosecution history estoppel, the patentee argued that its claim amendment was a broadening amendment that did not invoke amendment-based estoppel.¹⁴ The Federal Circuit disagreed. Noting that the original scope of the claim covered accused products that did not have the two regions “adjoining,” the court held that the amendment adding the requirement of adjoining regions “narrowed the scope of the claim, at least with respect to the addition of the term ‘adjoining.’” *Id.* at *4. Accordingly, the court found no merit in the patentee’s argument that the claim amendment “was broadening merely because it eliminated some claim limitations.” *Id.*

In view of the narrowing amendment made to

¹² See generally APD § 5:12 Functions of Claim Element Described in Specification may be Relevant to Construction.

¹³ See *Automotive Technologies, Int’l, Inc. v. BMW of N. Am., Inc.*, 501 F.3d 1274, 1285 (Fed. Cir. 2007); *Liebel-Flarsheim Co. v. Medrad, Inc.*, 481 F.3d 1371, 1378-80 (Fed. Cir. 2007); see also APD § 20:48 Enabling of any One Mode Suffices.

¹⁴ See generally APD § 14:16 Amendment that did Not Narrow Claim.

overcome the § 112 rejection, the Federal Circuit held that the *Festo* presumption of total surrender applied.¹⁵ It further rejected the patentee's attempt to rebut the presumption of surrender by arguing that the amendment adding the "adjoining" limitation was only tangentially related to the asserted equivalent of non-adjoining fields in the accused product. The patentee contended that since the reasons for the examiner's rejection prompting the amendment were not related to the location of the fields, the "tangentially related" exception to the presumption of surrender should apply. Rejecting this argument, the Federal Circuit stated "IR's decision to claim that structure using the limiting term 'adjoining,' whether or not *required* to overcome the rejection, cannot be described as only tangentially related to the equivalency of a structure with non-adjoining regions. With the amended language, IR recited precisely the structure it disclosed, and thereby overcame the examiner's § 112 rejection." *Id.* at *5.

In what amounts to only the third time the Federal Circuit has held in a published opinion that a patentee rebutted the presumption of total surrender by showing that the rationale underlying its narrowing amendment was only tangentially related the equivalent in question, the Federal Circuit reversed a summary judgment of noninfringement based on prosecution history estoppel in *Regents of the Univ. of California v. Dakocytomation California*, No. 2006-1334, 2008 WL 516705, *10-*13 (Fed. Cir. Feb. 28, 2008).¹⁶ The claims at issue were directed to a method of staining chromosomal DNA. During prosecution the applicant amended its claims to require the use of a "blocking nucleic acid." During the infringement suit, the parties stipulated that a "blocking nucleic acid" meant "fragments of repetitive-sequence-enriched DNA or RNA." The accused kits did not use human DNA, but instead used synthetic nucleic acids referred to as peptide nucleic acids ("PNA"). The patentee had asserted that the use of a blocking method with PNA was equivalent to the use of the blocking method with

¹⁵ See generally APD § 14:6 Presumption of Total Surrender (Absolute Bar).

¹⁶ The other two opinions finding that the rationale for a narrowing amendment was only tangentially related to the asserted scope of equivalents are *Primos, Inc. v. Hunter's Specialties, Inc.*, 451 F.3d 841, 849 (Fed. Cir. 2006) and *Insituform Technologies, Inc. v. CAT Contracting, Inc.*, 385 F.3d 1360, 1370-71 (Fed. Cir. 2004). See generally, APD § 14:51 Cases Finding Amendment was Only Tangentially Related to Equivalent and § 14:52 Cases Finding Amendment was Not Just Tangentially Related to Equivalent.

DNA or RNA. The district court held that, in view of the narrowing amendment, prosecution history estoppel precluded the asserted equivalent.

Reversing the district court, the Federal Circuit held that the prosecution history showed that while the applicant narrowed its claims for reasons of patentability, the rationale for its narrowing amendment was only tangentially related to the asserted equivalent of using PNA in the blocking method instead of the literally claimed DNA. Writing for the majority, Judge Lourie, noted that "the focus of the patentees' arguments centered on the method of blocking—not on the particular type of nucleic acid that could be used for blocking." *Id.* at *13. He noted further that "the 'nucleic acid' limitation was never narrowed during prosecution and was not at issue in the office action rejecting the claims." *Id.* Additionally, "none of the cited references concerned the type of nucleic acid that could perform the blocking, or mentioned the accused equivalent." *Id.* In view of these facts, the majority concluded that the patentee met its "burden of showing that the amendment did not surrender the equivalent in question because the narrowing amendment was only tangential to the accused PNA equivalent, i.e., the peptide nucleic acid." *Id.* It, therefore, ruled that the district court erred in holding that the asserted scope of equivalents was foreclosed and remanded for the district court to consider the factual question of whether the peptide nucleic acid was equivalent. *Id.*

Judge Prost dissented. *Id.* at *16-*17. Considering the claim amendment as an amendment made to limit the claims to a specific form of the blocking method, i.e., blocking by using DNA, to overcome the prior art, she opined that the patentee surrendered all other forms of blocking methods. *Id.* at *16. She characterized the two other Federal Circuit cases where the court found the reason for the amendment was only tangentially related to the asserted equivalent as situations where the purpose for the amendment involved an aspect of the invention that was different from the accused equivalent. *Id.* at *17. In her view, this case and amendment did not present that scenario. *Id.*

Substantial Question of Obviousness

Finding that an accused infringer raised a "substantial question" as to the obviousness of a claimed method, the Federal Circuit vacated a preliminary injunction in *Erico Intern. Corp. v. Doc's Marketing, Inc.*, No. 2007-1168, 2008 WL 426505, *5 (Fed. Cir. Feb. 19, 2008). The claim at issue was

directed to a method for hanging a bundle of communication cables with J-hooks spaced such that the cable sag was less than 30 cm. The accused infringer presented two prior art references to support its obviousness challenge. The first reference showed a hook of similar structure to the J-hook referenced in the method claim. The second reference, disclosed an industry standard for installing cables and recommended that supporting structure be spaced in a manner that would achieve the recited sag parameter.

Focusing on the accused infringer's burden to raise a "substantial question" of invalidity to defeat the patentee's showing of a likelihood of success on the merits, the court instructed that "a defendant need not prove actual invalidity. On the contrary, a defendant must put forth a substantial question of invalidity to show that the claims at issue are vulnerable. Thus, a showing of a substantial question of invalidity requires less proof than the clear and convincing standard to show actual invalidity." *Id.* at *4. Applying this standard, the Federal Circuit held that alone, and as further supported by the inventor's testimony elicited on cross examination, there was sufficient evidence of an implicit motivation to combine the two references to render the claims obvious. Accordingly, the court ruled that the accused infringer had presented "a serious challenge" to the validity of the asserted claim, *id.*, and that its challenge based on obviousness "cast enough doubt on the validity" of the asserted claim to negate the likelihood of success on the merits. *Id.* at *5. After finding that the patentee failed to show a likelihood of success on the merits, the Federal Circuit vacated the preliminary injunction without considering any of the remaining three equitable factors. *Id.*

Judge Newman dissented. In her view, the majority abused its appellate review by ignoring the discretionary aspects of the district court's ruling and failing to give any consideration to the three remaining equitable factors. Judge Newman also disagreed with the application of the "substantial question" standard. According to her, this standard contradicts controlling authority that defenses presented to a preliminary injunction must be evaluated "on the standards and burdens of proof as would prevail at trial." *Id.* at *7. Consequently, she took issue with the view that "it suffices to 'cast doubt,' to 'show that the claims are vulnerable,' to reverse the district court's preliminary injunction." *Id.* Judge Newman opined that "[r]aising a 'substantial question' concerning validity, is not the same as establishing the 'likelihood' of establishing

invalidity." *Id.* Hence, in her view, "[i]t is not correct that it suffices to 'cast doubt' or 'raise a question' about a patent's validity, as the court today holds." *Id.*

"Production" Units Negates Experimental Use

The Federal Circuit reversed a district court's summary judgment that claims were not invalid for an on-sale bar and rejected the patentee's argument that the "experimental use" exception applied in *Atlanta Attachment Co. v. Leggett & Platt, Inc.*, No. 2007-1188, 2008 WL 450568, *4-*6 (Fed. Cir. 2008). Before the critical date, the patentee had sold a customer a third-generation prototype of its invention that met each limitation of the challenged claim. Accompanying the invoice for the prototype, the patentee also offered to sell the customer 50 "production units." Upon receiving comments from the customer on the third-generation prototype, the patentee made improvements to the design and sold a fourth-generation prototype. As part of that sale, the patentee refunded the customer the money paid for the third-generation prototype. The district court relied on this fact as evidence that the third-generation prototype was not a reduction to practice of the claimed invention and that the sale of the prototype was part of an experimental use. It therefore granted the patentee summary judgment dismissing the accused infringer's on-sale bar challenge.

Reversing the district court, the Federal Circuit noted that the improvements contained in the fourth-generation prototype all related to unclaimed aspects. Consequently, these improvements did not defeat the on-sale status of the third-generation prototype. Further, the court found that the undisputed facts showed that third-generation prototype adequately demonstrated the workability of the invention, and therefore was a reduction to practice of the claimed invention. Seeking to avoid an on-sale bar, the patentee argued that the experimental use exception should apply. This contention failed on several grounds. First, the Federal Circuit held that the "experimentation" allegedly done by the customer could not qualify as an experimental use because the patentee did not maintain control over the customer's experiments. *Id.* at *4. Also, the customer merely tested the prototype to see if it suitably met the customer's purposes; the testing did not concern ways to improve the invention. Under prior precedent, testing for commercial suitability does not qualify as experimental use. *Id.* Second, relying on the offer to sell 50 "production units" of the third-generation

prototype, the court held that “[a]n offer to mass produce production models does not square with experimentation under any standard; it is commercial exploitation.” *Id.* Accordingly, the *en masse* offer for sale created an on sale bar. The court further instructed that “once there has been a commercial offer, there can be no experimental use exception.” *Id.*

Impeaching for Using Jury Consultant

In an antitrust suit brought against a patentee, the district court held in *Hynix Semiconductor Inc. v. Rambus Inc.*, 2008 WL 350654, *3 (N.D. Cal. Feb. 3, 2008), *supplemented*, 2008 WL 397350, *4 (N.D. Cal. Feb. 10, 2008), that witnesses could be cross-examined on whether they worked with a jury consultant in preparing to testify. Relying on *In re Cendant Corp. Securities Litigation*,¹⁷ the court held that “the parties may ask a witness whether he or she met with a jury consultant, the purpose of any such meeting, who was present, the duration of the meeting and whether the witness practiced or rehearsed his or her testimony.” 2008 WL 397350, *4. But in view of considerations of work-product immunity, the court also ordered that the parties could not go “beyond those limited points because inquiring into work-product protected materials creates unfair prejudice and doing so will lead to both confusion and delay.” *Id.*

ADMINISTRATIVE HAPPENINGS

Deposit of Biological Materials

To bring USPTO practice regarding biological deposits in line with the American Inventors Protection Act of 1999, and specifically the requirement of publishing patent applications eighteen months after the earliest priority date, the USPTO, on February 20, 2008, issued a notice of proposed rule making affecting biological deposits. Under the proposed rule change, the USPTO would “require that any deposit of biological material be made before publication of a patent application, and that all restrictions on access to the deposited material imposed by the depositor be removed upon publication.” The USPTO will accept Written comments to the Notice if received on or before April 21, 2008.

PTO’s Report to Congress

On February 27, 2008, the House Subcommittee on Courts, the Internet, and Intellectual Property held a USPTO Oversight Hearing, during which it heard

¹⁷ 343 F.3d 658, 668 (3d Cir. 2003).

testimony from Jon Dudas (USPTO), Robin Nazzaro (GAO), Robert Budens (POPA), and Alan Kasper (AIPLA).

Jon Dudas, Under Secretary of Commerce for Intellectual Property and Director of the U.S. Patent and Trademark Office, began by noting that FY2007 was a record year for the USPTO in that examiners completed over 362,000 patent applications, the largest number ever, while maintaining a 96.5% compliance rate (allowed applications with no errors). He noted further that the allowance rate for patents dropped, from 70% (eight years ago), to 44%.

The USPTO hired 1,215 examiners in FY2007 and plans to hire additional examiners at a rate of 1,200/yr through 2013. This hiring goal is made possible by revenue from patent fees. In FY2009, the USPTO expects to receive fee revenue in excess of \$2 billion. As for addressing patent backlog challenges, however, Director Dudas continues to contend that “hiring alone simply is not the answer to the growth of filings and complexity in the patent system.”

As mentioned in the Department of Commerce’s August 15, 2007 letter response to the draft GAO report, the “Strategic Plan released this year [2007] places a strong emphasis on increasing productivity in the USPTO by leveraging the work that is being done in other offices, by applicants themselves and from interested public parties to help the patent examiners in their jobs.” The USPTO plan relies on several new initiatives, such as the Claims-Continuations, IDS, Alternative (or Markush) Claim, and Applicant Quality Submissions initiatives.

Robert Budens, President of the Patent Office Professional Association, criticized Director Dudas’ conclusions stating that they “completely ignore the fundamental underlying truth of the ‘sweatshop’ mentality at the USPTO – just to keep their jobs or to earn productivity awards, fully two-thirds of the workforce must work unpaid overtime.” Mr. Budens urged the Subcommittee to exercise its oversight responsibility by redirecting the USPTO in the appropriate uses of its resources. POPA, for example, has asked that “the Subcommittee put a fence around the patent filing fees and directly allocate these fees to provide time for examiners to examine patent applications,” citing that filing fees constitute 30% of USPTO patent fees.

Mr. Budens further criticized the USPTO for not focusing on re-vamping its antiquated examiner production goals. The production goals are still based

on 1970s assumptions and have not since been adjusted to reflect changes in science and technology. In particular, Mr. Budens remarked that “[i]f the USPTO truly desires to retain highly skilled examiners and have them do the job right, the time has come for the agency to quit making excuses and follow the GAO’s recommendation to ‘...undertake a comprehensive evaluation of the assumptions that the agency uses to establish its production goals.’”

Robin Nazzaro, Director of Natural Resources and Environment, U.S. Government Accountability Office, also spoke at the hearing and summarized the GAO’s 2007 report. In the report, the GAO found that the unrealistic USPTO production goals are a primary reason for examiner attrition, and attrition is “significantly offsetting USPTO’s hiring progress.” In a GAO survey cited in the report, 67% of patent examiners said that the agency’s production goals were among the primary reasons they would consider

leaving the USPTO.

Indeed, from 2002 through 2006, the USPTO hired 3,672 examiners but the examination workforce increased by only 1,644. Thus, due to attrition, the USPTO hiring efforts were only 55% effective. Ms. Nazzaro remarked that “[b]ecause the agency’s production goals appear to be undermining USPTO’s efforts to hire and retain a qualified workforce, we recommended in 2007 that the agency comprehensively evaluate the assumptions it uses to establish patent examiner production goals and revise those assumptions as appropriate.”

It appears, unless otherwise re-directed, however, that the USPTO has opted out of re-evaluating the assumptions that it uses to establish examiner production goals at least until “the USPTO determines the effect of [the Claims-Continuations, IDS, Alternative (or Markush) Claim, and Applicant Quality Submissions initiatives] on examiner productivity.”

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