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PATENT HAPPENINGS®

April 2009

A publication by **LATIMER, MAYBERRY & MATTHEWS IP LAW, LLP**
on judicial, legislative, and administrative developments in patent law.

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JUDICIAL HAPPENINGS

En banc Hearing Granted for 271(f) Claims

Sections § 271(f)(1) and (f)(2) of the Patent Act make an infringer liable, under certain circumstances, for exporting from the United States components that when combined abroad result in a combination that would infringe a U.S. patent if the combination was made in the United States.[1] Whether § 271(f) applies to process claims had been a point of contention in patent law.[2] In its 1991 opinion in *Standard Havens Prods*, the Federal Circuit appeared to hold that § 271(f) did not apply to method claims.[3] But in its 2005 opinions of *Eolas Technologies*[4] and *Union Carbide*,[5] the Federal Circuit held that § 271(f) does reach process patents.[6]

In 2007, the Supreme Court handed down its opinion in *Microsoft Corp. v. AT & T Corp.*, 550 U.S.

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[1] *See generally*, Robert A. Matthews, Jr., Annotated Patent Digest § 10:128 The Enactment of § 271(f) [*hereinafter* APD]. Section 271(f)(1) provides that "Whoever without authority supplies or causes to be supplied in or from the United States all or a substantial portion of the components of a patented invention, where such components are uncombined in whole or in part, in such manner as to actively induce the combination of such components outside of the United States in a manner that would infringe the patent if such combination occurred within the United States, shall be liable as an infringer."

[2] *See generally*, APD § 10:131 Application to Process Patents.

[3] *Standard Havens Prods., Inc. v. Gencor Indus., Inc.*, 953 F.2d 1360, 1374 (Fed. Cir. 1991).

[4] *Eolas Technologies Inc. v. Microsoft Corp.*, 399 F.3d 1325, 1338-41 (Fed. Cir. 2005), *cert. denied*, (Oct. 31, 2005).

[5] *Union Carbide Chemicals & Plastics Tech. Corp. v. Shell Oil Co.*, 425 F.3d 1366, 1378-80 (Fed. Cir. 2005), *order denying en banc reh'g*, 434 F.3d 1357 (Fed. Cir. 2006) (Judge Lourie, joined by Judges Michel and Linn, dissented based on their views that § 271(f) should not apply to method claims and that the panel decision was contrary to the holding of *Standard Havens*).

[6] *See also NTP, Inc. v. Research in Motion, Ltd.*, 418 F.3d 1282, 1321-23 (Fed. Cir. 2005) (discussing § 271(f) in the context of process patents and ruling it was inapplicable under the particular circumstances).

437 (2007), which addressed aspects of § 271(f). Although the Supreme Court did not address the applicability of § 271(f) to process claims, some of the Court's holdings may raise questions as to the continued vitality of the Federal Circuit's rationale for ruling that § 271(f) applies to process claims. For example, one of the reasons the Federal Circuit relied on for construing § 271(f) to apply to process claims was its conclusion that the term "component" in § 271(f) extends beyond physical objects, and therefore could reach a process.[7] But, in *Microsoft*, the Supreme Court expressly considered whether § 271(f) reaches intangible or abstract objects and ruled that it did not. The Court held that "an idea without physical embodiment . . . does not match § 271(f)'s categorization: 'components' amenable to 'combination.'"[8]

The issue of whether § 271(f) applies to process claims in view of *Microsoft* has gotten the attention of the Federal Circuit. On March 6, 2009, the Federal Circuit, in the matter of *Cardiac Pacemakers, Inc. v. St. Jude Medical, Inc.*,[9] granted an accused infringer's petition for an en banc rehearing to determine whether § 271(f) applies to process claims.

In *Cardiac Pacemakers*, the patentee sought damages under § 271(f) for foreign sales of accused products that were used abroad to practice the claimed method. In March 2006, and before the Supreme Court handed down its opinion in *Microsoft Corp.*, the district court denied the accused infringer's motion for summary judgment seeking to exclude such sales from the damages pool based on the contention that § 271(f) does not apply to process claims. But the district court remarked that the accused infringer's arguments that § 271(f) should not apply to method claims had "considerable weight" because merely assembling the completed apparatus did not infringe the method claim; only the use of the assembled product, an additional act, infringed the method claim if done in the United States.[10] Nevertheless, in view of *Union Carbide*, the district court held that it could not "conclude as a matter of law that section 271(f) does not apply to the method claim at issue here." In a nonprecedential opinion, a panel of the Federal Circuit affirmed.[11] The panel rejected the accused infringer's argument that *Microsoft* overturned *Union Carbide*. *Id.*[12]

In its order granting the petition for *en banc* rehearing, the Federal Circuit has ordered the patentee to submit a brief addressing a single question: "Does 35 U.S.C. § 271(f) apply to method claims, as well as product claims?" The patentee's brief appears to be due on Monday April 6, 2009, with the accused infringer's response due twenty days after service of the patentee's brief, and the patentee's reply due seven days later. The court also order that amicus briefs could be filed without leave of court. Oral argument is set for Friday, June 1, 2009.

Asserting only Process Claims to Avoid § 287(a)

The marking statute, 35 U.S.C. § 287(a), generally requires patentees to mark their products covered by the patent with the patent number as a prerequisite to recovering damages for any infringement done before the patentee filed suit or before it gave the accused infringer actual notice of the patent and its charge of

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[7] *See Union Carbide*, 425 F.3d at 1379 ("*Eolas* . . . [held] that *every* component of *every* form of invention deserves the protection of 35 U.S.C. § 271(f); *i.e.*, that 'components' and 'patented inventions' under § 271(f) are not limited to physical machines."); *Eolas Tech.*, 399 F.3d at 1340 ("Microsoft, in effect, asks this court to add the word 'physical' in front of 'components' in section 271(f). If the statute intended to limit the reach of 'components of patented inventions,' it would have expressly included some narrowing restriction. The statute simply does not include the limitation that Microsoft advocates.").

[8] *Microsoft Corp.*, 127 S. Ct. at 1755 (ruling that abstract software, i.e., software not in a computer readable form, like instructions or blue prints, could not be a "component" under § 271(f) since the abstract software could not be physically combined to make the patented combination – "Until it is expressed as a computer-readable 'copy,' *e.g.*, on a CD-ROM, Windows software-indeed any software detached from an activating medium-remains uncombinable. It cannot be inserted into a CD-ROM drive or downloaded from the Internet; it cannot be installed or executed on a computer. Abstract software code is an idea without physical embodiment, and as such, it does not match § 271(f)'s categorization: 'components' amenable to 'combination.'"); *accord Microsoft Corp.*, 127 S. Ct. at 1761, (Alito, Thomas, Breyer, JJ.) (*concurring*) ("I agree with the Court that a component of a machine, whether a shrimp deveiner or a personal computer, *must be something physical*. Furthermore, § 271(f) requires that the component be 'combined' with other components to form the infringing device, meaning that *the component must remain a part of any*. . . . Because no physical object originating in the United States was combined with these computers, there was no violation of § 271(f).") (emphases added).

[9] No. 2007-1296, 2009 WL 596010 (Fed. Cir. Mar. 6, 2009).

[10] 2006 WL 517611, *21 (S.D. Ind. March 1, 2006).

[11] No. 2007-1296, 2008 WL 5257333, *8 (Fed. Cir. Dec. 18, 2008) (*nonprecedential*).

[12] *See also Ormco Corp. v. Align Technology, Inc.*, 2009 WL 466074, *10 (C.D. Cal. Feb. 23, 2009) (following *Cardiac Pacemakers* in refusing to find that *Microsoft* overruled *Union Carbide* and the ruling that § 271(f) can apply to method claims).

infringement.[13] By its express terms the marking statute only applies to "patented *articles*."[14] Accordingly, the Federal Circuit has held that no requirement to mark applies to process patents.[15] But, the court has also instructed, in *American Medical Sys.*, that "to the extent that there is a tangible item to mark by which notice of the asserted method claims can be given, a party is obliged to do so."[16]

When faced with its failure to mark its product with the patent number of its patent having both apparatus and method claims, some patentees have argued that the marking requirement should not apply where the patentee only asserts the method claims.[17] Relying on *American Medical*, district courts in the past have almost routinely rejected this argument.[18]

Shaking up the law in this area, the Federal Circuit in *Crown Packaging Technology, Inc. v. Rexam Beverage Can Co.*, No. 2008-1284, -1340, 2009 WL 678743, *5-*6 (Fed. Cir. Mar. 17, 2009), reversed a summary judgment that a patentee could not avoid its failure to mark by asserting only method claims where its patent had both apparatus and method claims.

The patentee in *Crown* had permitted its licensee to make and sell "necking" machines. The licensee did not mark the machines. The patentee had a patent that covered the necking machine via apparatus claims and also covered processes that could be carried out with the necking machine. Other noninfringing processes could also be performed with the necking machine. While the patentee did not require its licensee to mark, it did require its licensees to inform purchasers that they needed to obtain a license from the patentee if they wished to use the necking machine in the configurations under which it practiced the claimed methods. *Id.* at *5

When the patentee asserted its patent against the plaintiff as an infringement counterclaim, the district court granted the plaintiff summary judgment that the patentee's failure to require its licensee to mark the necking machines defeated all claims for pre-suit damages. Further, since the patent had expired, the inability to recover any pre-suit damages warranted dismissing the infringement counterclaim. In granting summary judgment, the district court rejected the patentee's argument that since the patentee only asserted the process claims, it had no duty to mark.[19] Taking a practical view of implementing the policy of giving constructive notice of patent rights, the district court stated: "Rexam's argument, that it was not required to mark because it was only asserting method claims, is at odds with the very purpose of the marking statute: 'to avoid innocent infringement, encourage patentees to give public notice of patent protection, and aide the public in identifying patented articles.' Regardless of whether or not it asserted method claims, apparatus claims or both, Rexam was required to mark and have its licensee, Belvac, mark products in order to obtain the benefits of the constructive notice provisions set forth in section 287(a)." Nonetheless, on appeal the Federal Circuit held that the district court erred.

Writing for the court, Judge Moore explained that the panel was bound to follow the prior precedent of *Hanson.*[20] According to Judge Moore, *Hanson* stands

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[13] *See generally*, APD § 30:141Duty to Mark Product with Patent Number Under 35 U.S.C. § 287.

[14] 35 U.S.C. § 287(a) ("Patentees, and persons making, offering for sale, or selling within the United States any *patented article* for or under them, or importing any *patented article* into the United States, may give notice to the public that the same is patented…").

[15] *See generally*, APD § 30:156 Marking Does Not Apply to Process or Method Patent Claims.

[16] *American Medical Sys. v. Medical Eng'g Corp*., 6 F.3d 1523, 1538-39 (Fed. Cir. 1993). *Cf. Amsted Indus., Inc. v. Buckeye Steel Castings Co.*, 24 F.3d 178, 185 (Fed. Cir. 1994) (noting how unpatented articles used in practicing a claimed method can be marked: "Amsted argues that had it marked its center plate it would have violated 35 U.S.C. § 292 which prohibits the marking of an unpatented article. This is not persuasive. A marking such as 'for use under U.S. X,XXX,XXX' would have sufficed.").

[17] *See generally*, APD § 30:157 Marking Products Used to Carry Out Process or Made by Claimed Process.

[18] *E.g., Osteotech, Inc. v. Regeneration Technologies, Inc*., 2008 WL 4449564, *6 (D.N.J. Sept. 25, 2008); *Merck & Co., Inc. v. MediPlan Health Consulting, Inc.*, 434 F. Supp. 2d 257, 261-62 (S.D.N.Y. June 14, 2006); *Halliburton Serv. v. Smith Intern. Inc.* 317 F. Supp. 2d 719 725-26 (E.D. Tex. 2004); *Philips Elecs. N. Am. Corp. v. Contec Corp*., 312 F. Supp. 2d 649, 651-52 (D. Del. 2004); *Mosel Vitelic Corp. v. Micron Technology, Inc.*, 2000 WL 1728351 *2 (D. Del. Feb. 25, 2000); *see also Soverain Software LLC. v. Amazon.com, Inc.*, 383 F. Supp. 2d 904, 909 (E.D. Tex. 2005) (failure to mark website preclude damages even if only method claims were asserted).

[19] 498 F. Supp. 2d 718, 728 (D. Del. July 24, 2007), *amended*, 2007 WL 2207926 (D. Del. July 30, 2007) (adhering to its prior ruling precluding damages for failure to mark).

[20] *Hanson v. Alpine Valley Ski Area, Inc.*, 718 F.2d 1075, 1083 (Fed. Cir. 1983) (licensee's failure to mark its snow-making machine did not limit patentee's damages under § 287(a) for infringement of process claims directed to a process of making snow because no duty to mark arose for three process claims, even though the patent also had two apparatus claims directed to a machine for making snow) (author's note: the process claims could be infringed without necessarily infringing the apparatus claims (see claims of U.S. Patent No. 2,968,164)).

for the proposition that "35 U.S.C. § 287(a) did not apply where the patentee only asserted the method claims of a patent which included both method and apparatus claims." *Id.* at *6. Ruling that the facts in *Crown* were "identical" to the facts in *Hanson*, the "facts" apparently just being that the patentee in *Crown* only asserted method claims, the court concluded no duty to mark arose. *Id.*

Judge Moore distinguished *Hanson* over *American Medical* on the basis that in *American Medical* the patentee had asserted both apparatus and method claims. *Id.* Interestingly, the court did not address *Devices for Medicine*,[21] a case in which it held that the patentee's failure to mark its product that had no use but to practice the claimed method precluded recovering damages for infringement of the process claims. Since the patentee in *Devices for Medicine* had asserted both its apparatus and method claims, the *Crown* panel would have likely applied the same distinction.

While the distinction drawn by the *Crown* court regarding *Hanson* and *American Medical* (and equally applicable to *Devices for Medicine*) is technically accurate, it seems superficial and unsatisfying. As noted in the APD, one possible substantive

> distinction that appears to have more merit lies in the differences between the claimed process in *American Medical* and *Devices for Medicine* and that in *Hanson*. In *American Medical*, the court noted that the patentee's product was a "physical device produced by the claimed method." In *Devices for Medicine*, the claimed process was the intended use of the claimed apparatus. In both of these cases, infringement of the process claim depended on the presence of the apparatus. In *Hanson*, the claimed process concerned a method of making snow. While the sold apparatus, which was allegedly covered by the apparatus claim, could be used to practice the process of making snow, the apparatus was not the outcome of the process, nor was the presence of the apparatus crucial for practicing the claimed process. The snow could be made by means wholly independent of the apparatus, and the process claims did not recite the use of the apparatus as an element of any of the claims. Thus, the claimed process in *Hanson* was independent of the claimed apparatus. This suggests that where a process can only be infringed by the use or creation of an article sold by the patentee or its licensee, then that article should be marked with the process patent number. If the process can be performed without the patentee's article, the law might not require marking. Although this seems contrary to the policy stated in *American Medical* — "to the extent that there is a tangible item to mark by which notice of the asserted method claims can be given, a party is obliged to do so."[22]

While the facts recited by the court in *Crown* note that the unmarked patented necking machine could be used in ways that did not practice the claimed processes, the facts were silent as to whether the claimed processes could be practiced in ways that did not require the use of the patented necking machine. If not, and if "the claimed method is the use of the product," then perhaps the failure to mark the necking machines should have precluded damages under *Devices for Medicine*.[23]

Failing to Cite Office Actions in Copending Case

Pursuant to PTO Rule 56, attorneys must disclose to the PTO all noncumulative material information of which they have knowledge.[24] This duty can, under certain circumstances, extend to requiring the disclosure of copending applications and specific papers contained therein.[25] As shown by *Dayco Products*,[26] the duty to disclose copending patent applications may be heightened when the examiner in one application rejects a claim that is substantially similar to a claim in the copending patent application. Even though an examiner is not duty bound to repeat a rejection of another examiner, such a rejection may readily meet the standard for materiality. The Federal Circuit reaffirmed this principle in *Larson Mfg. Co. of SD, Inc. v. Aluminart Products Ltd.*, No. 2008-1096, 2009 WL 691322, *14-*15 (Fed. Cir. Mar. 18, 2009).

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[21] *Devices for Medicine, Inc. v. Boehl*, 822 F.2d 1062, 1066 (Fed. Cir. 1987).

[22] APD § 30:157 Marking Products Used to Carry Out Process or Made by Claimed Process.

[23] *Devices for Medicine*, 822 F.2d at 1066 ("The claimed method is the use of the product. Having sold the product unmarked, DFM could hardly maintain entitlement to damages for its use by a purchaser uninformed that such use would violate DFM's method patent.").

[24] *See generally*, APD § 27:11Attorney's Disclosure Duty.

[25] *See generally*, APD § 27:12 — Attorney's Duty to Disclose Co-pending Applications of Another.

[26] *Dayco Prods., Inc. v. Total Containment, Inc.*, 329 F.3d 1358, 1368 (Fed. Cir. 2003).

In *Larson*, the court found that prior art rejections made in a third and fourth office actions of a continuation application were material to the prosecution of a copending reexamination proceeding since the claims under consideration in the reexamination were substantially similar to the rejected claims of the continuation application. *Id.* Explaining why it found the office actions material, the court remarked that "knowledge of a potentially different interpretation is clearly information that an examiner could consider important when examining an application." *Id.* at *14.

The patentee argued that the third office action lost its materiality when the Examiner later withdrew the rejection, after concluding that the applicant had correctly explained that the prior art reference did not disclose a feature the examiner thought it did. Rejecting this argument, the Federal Circuit instructed that the later development did not nullify the materiality of the earlier rejection to the reexamination proceeding because the office action "contained valuable reasoning and rejections at the time when it was made," which remained of record for approximately a year. *Id*. at *15. As to the fourth office action, the court found that because it contained an adverse decision of the examiner in the continuation application, based on a different explanation and interpretation of the same prior art references the reexamination examiner was considering, the fourth office action "was 'clearly information that an examiner could consider important.'" *Id.*

Remanding the case back to the district court, in view of errors the district court made as to other withheld prior art references, the Federal Circuit provided "guidance" to the district court on analyzing the issue of intent to deceive. *Id.* at *16. Apparently seeking to temper a too liberal application of an inference of intent to deceive, the Federal Circuit repeated its recent pronouncement in *Star Scientific*,[27] that to meet the clear and convincing evidentiary burden, the inference that the applicant intended to deceive the PTO must be the "single most reasonable inference" that can be drawn from the circumstantial evidence. *Id.* at *16. Addressing inferences of intent drawn where the patentee fails to offer a credible good faith explanation for why it withheld material information,[28] the court further instructed that "just as merely withholding a reference cannot support an inference of deceptive intent, so too an accused infringer cannot carry its threshold burden simply by pointing to the absence of a credible good faith explanation." *Id.*

The court also instructed that in evaluating the issue of intent to deceive, the district court had to take into account that the patentee had disclosed to the PTO in the reexamination proceeding the pleadings filed in the current case, which included the accused infringer's other inequitable conduct allegations and invalidity challenges, and that the patentee had fully informed the reexamination examiner about the continuation application and had even provided the first two office actions in the continuation application to the reexamination examiner. The Federal Circuit noted that this evidence "points away from deceptive intent and must be given weight." *Id.*

Despite these cautionary instructions, Judge Linn in a concurring opinion expressed his concern that the court's jurisprudence regarding inequitable conduct has become "problematic." *Id.* at *19. He stated his view, that "[t]he ease with which inequitable conduct can be pled, but not dismissed, is a problem of our own making." *Id.* at *18. Although not explicitly calling for raising the standard of what conduct constitutes inequitable conduct, Judge Linn did note that all three of the Supreme Court cases addressing inequitable conduct involved "overt fraud." *Id.* Examining the court's legal standards for inferring an intent to deceive, he concluded the test "falls short of the standard 'needed to strictly enforce the burden of proof and elevated standard of proof in the inequitable conduct context." *Id.* at *20. Accordingly, he suggested that "the time has come for the court to review the issue *en banc*." *Id.* Given Judge Rader's relatively recent statements in *Aventis Pharma S.A.*,[29] expressing similar views that inherent problems exist with the standards for inferring intent to deceive, momentum may be growing within the Federal Circuit for an *en banc* consideration of this issue, if the Supreme Court does not grant the petition for certiorari in *Aventis*.

[27] *Star Scientific, Inc. v. R.J. Reynolds Tobacco Co.*, 537 F.3d 1357, 1366, 1368 (Fed. Cir. 2008).

[28] *See generally*, APD § 27:63.50 Patentee's Burden to Provide Good Faith Explanation.

[29] *Aventis Pharma S.A. v. Amphastar Pharm., Inc.*, 525 F.3d 1334, 1349-51 (Fed. Cir. 2008) (Rader, J., *dissenting*), *cert. petition filed*, No. 08-937, 77 USLW 3441 (Jan 23, 2009).

"Paradigm" Claim Fails § 101

In its second published post-*Bilski* opinion[30] addressing the patentability of business-method related claims, the Federal Circuit in *In re Ferguson*, No. 2007-1232, 2009 WL 565074 (Fed. Cir. Mar. 6, 2009), affirmed rejections of claims directed to methods of marketing and a "paradigm for marketing software" for claiming patent ineligible subject matter under § 101.

The inventors sought claims directed to "a method of marketing a product" requiring the steps of "developing a shared marketing force," "using said shared marketing force to market a plurality of different products that are made by a plurality of different autonomous producing compan[ies]," "obtaining a share of total profits from each of said … companies," and "obtaining an exclusive right to market each of said . . . products[.]" Applying *Bilski*,[31] the Federal Circuit, in a majority opinion written by Judge Gajarsa and joined by Judge Mayer, held that the method claims fail the machine-or-transformation test because the claims are not "tied to any particular machine or apparatus." *Id.* at *3. The majority rejected the applicants' argument that because the method claims recite the use of a "shared marketing force," the claims pass muster under *Bilski*. Applying the definition of a "machine" used in *Nuijten*,[32] – "a machine is a concrete thing, consisting of parts, or of certain devices and combination of devices . . . [that uses a] combination of mechanical powers and devices to perform some function and produce a certain effect or result" – the court held that a marketing force does not qualify as a "machine." *Id.* According to the court, organizing and structuring a sales force transforms private legal obligations and relationships. It fails the test for patentability because the relationships of the sales force "are not physical objects or substances, and they are not representative of physical objects or substances." *Id.* at *4. Hence, the court viewed the attempt to claim the relationships in the sales force as being an unpatentable abstract idea. *Id.*

Illustrating how *Bilski*'s machine-or-transformation test is indeed now the sole test for determining patent eligibility for process inventions, the court additionally rejected the applicants' request to consider a "new test" of whether the "claimed subject matter require[s] that the product or process has more than a scintilla of interaction with the real world in a specific way?" *Id.* at *4.

In a creative attempt to protect the business method in a non-process claim form, the applicants also presented claims directed to a "paradigm for a marketing software, comprising a marketing company that markets software from a plurality of different independent and autonomous software companies …." *Id.* at *1. Applying the methodology used in *Nuijten* to find that claims directed to electrical signals did not claim patent eligible subject matter, the Federal Circuit considered whether the "paradigm" fell within the scope of any of the four categories of patentable subject matter: process, machine, article of manufacture, or composition of matter. The court easily concluded that the "paradigm" claims did not fall within the categories of process, article of manufacture, or composition of matter, and the applicants had not argued otherwise. *Id.* at *5. Instead, the applicants argued that the marketing company of the "paradigm" is analogous to a "machine." Essentially applying the same rationale used to reject the applicants' argument that its method claims are tied to a "machine," the court rejected the contention that the "paradigm" is directed to a machine. The Federal Circuit explained "the paradigm claims do not recite 'a concrete thing, consisting of parts, or of certain devices and combination of devices,' and as Applicants conceded during oral argument, 'you cannot touch the company.' To the contrary, Applicants do no more than provide an abstract idea—a business model for an intangible marketing company. Applicants' argument is, therefore, unavailing. Absent identity with any statutory category, Applicants' paradigm claims are, therefore, unpatentable as not directed to statutory subject matter." *Id.*

Judge Newman concurred in the judgment since she believed the PTO correctly rejected the claims for being obvious in view of the prior art. *Id.* at *7. She disagreed with the majority's characterization of the claimed invention as an "abstract idea" and chided the majority for effectively adopting a test that anything that does not meet *Bilski*'s test for patent eligibility is an abstract idea. *Id.* at *6-*7.

Making a call for judicial restraint, Judge Newman further stated:

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[30] The first opinion was the reissued panel opinion in *In re Comiskey*, 554 F.3d 967 (Fed. Cir. 2009).

[31] *In re Bilski*, 545 F.3d 943 (Fed. Cir. 2008) (*en banc*).

[32] *In re Nuijten*, 500 F.3d 1346, 1355-56 (Fed. Cir. 2007), *cert denied sub nom. Nuijten v. Dudas*, 129 S. Ct. 70 (2008). *See generally*, APD § 20:3—Machine.

> Until we are confident in understanding the consequences of our rulings, let us not forget that today's "knowledge economy" arose and thrived under the past law of patent eligibility. Although I agree that new thinking is warranted, this court's broadside assault on patent-eligible subject matter is unsupported by any stated policy or benefit to either society or commerce. We are ignorant of whether competitive activity, creative energies, and entrepreneurial initiatives, will founder or be facilitated by this court's dramatic change in the legal framework. . . . [M]uch more needs to be understood, as this court undertakes to change the legal framework of this economy. . . . This court's retreat into the methods of the past is unworthy of our responsibility to support innovation in the future. Major adjustment in established law should be based on changing industrial or intellectual or equitable needs – of which no evidence is before this court. The only need of which I am aware is that of the current harsh economic times, when the need is of enhanced incentives to innovation and investment in new things and new industries, not reduction in the existing incentives.

Id. at *7.

Showing what perhaps may be a rift growing in the court, the majority dismissed Judge Newman's comments as being "premised on policy and philosophical grounds." *Id.* at *5 n.7. Judge Gajarsa stated that he "disagree[d] with this approach, as it is not the role of courts to make such arguments but rather the responsibility of Congress to consider amending the patent laws as necessary to recognize and allow for innovation in the future." *Id.* Responding to the majority's criticism by relying on the observations of Justice Holmes in his famous work *The Common Law* where he explained that public policy concerns shape and underlie virtually all legal doctrines, Judge Newman explained that her "major concern with [her] colleagues' aggressive elimination of patent access in areas of modern commerce is their failure to consider the policy effects." *Id.* at *7 n.1.

Omitting Element Violated Written Description

Long ago, the Supreme Court instructed that an "application for a patent cannot be broadened by amendment so as to embrace an invention not described in the application as filed, at least when adverse rights of the public have intervened."[33] The Federal Circuit applied this principle in the famous case of *Gentry Gallery*,[34] where it held that claims added by amendment and directed to a sectional sofa having reclining controls, but that did not limit the location of the controls to be on a console, failed the written description requirement because the specification only described the controls as being on the console.[35] While some viewed *Gentry Gallery* as establishing a requirement that claims must claim all "essential elements" of the invention, the Federal Circuit rejected the concept of an "essential element" test in *Cooper Cameron*.[36] Nonetheless, the Federal Circuit has maintained that *Gentry Gallery* illustrates "the settled principle that a broadly drafted claim must be fully supported by the written description and drawings."[37] The Federal Circuit's recent opinion in *ICU Medical, Inc. v. Alaris Medical Systems, Inc.*, No. 2008-1077, 2009 WL 635630, *6-*7 (Fed. Cir. Mar. 13, 2009), illustrates, yet again, that in some instances amending a claim to omit a previously claimed element can render the claim invalid for failing the written-description requirement.

The claims at issue in *ICU Medical* concerned a medical valve used to connect a syringe to an infusion line without the use of a needle. In the specification the inventors described all embodiments of the invention as having a spike that was used to pierce a seal in making the connection. The Federal Circuit found that nothing in the specification suggested that the invention could be made without using the spike. All of the claims originally submitted by the inventor recited a spike. Several years into the prosecution, and after a competitor introduced a competing valve product that did not use a spike, the inventors added new claims that omitted the spike from the claims. The district court granted the accused infringer summary

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[33] *Schriber-Schroth Co. v. Cleveland Trust Co.*, 305 U.S. 47, 57 (1938).

[34] *Gentry Gallery, Inc. v. Berkline Corporation*, 134 F.3d 1473 (Fed. Cir. 1998).

[35] *Id.* at 1479. *See generally*, APD § 22:51 — Omission Results in a Claimed Invention Not Supported by Written Description.

[36] *Cooper Cameron Corp. v. Kvaerner Oilfield Prods., Inc.*, 291 F.3d 1317, 1322-23 (Fed. Cir. 2002). *See e.g., Carnegie Mellon Univ. v. Hoffman-La Roche*, 541 F.3d 1115, 1127 (Fed. Cir. 2008) (ruling that district court erred in invalidating claims by applying an omitted element test under *Gentry* based on the alleged omission of an aspect of "lethality" since lethality was never in the claims).

[37] *Amgen, Inc. v. Hoechst Marion Roussel, Inc.*, 314 F.3d 1313, 1333 (Fed. Cir. 2003).

judgment that the "spikeless" claims were invalid for failing to have an adequate written description. The Federal Circuit affirmed.

On appeal, the Federal Circuit rejected the patentee's argument that the specification's disclosure of valves with spikes supported "claims that are neutral regarding whether the valve must include a spike." The Federal Circuit noted that the challenged claims covered valves with spikes and valves without spikes. *Id.* at *6. Accordingly, to meet the written description requirement, the court concluded that the specification had to disclose valves with spikes and valves without spikes. The court found there was no factual dispute that the specification had no disclosure showing a valve without a spike. *Id.*

In an attempt to show that the specification disclosed a spikeless embodiment, the patentee argued that the specification disclosed the use of a pre-slit, and one of skill in the art would realize that the pre-slit could be used to make a spikeless valve. Noting that the pre-slit was only disclosed as a way to facilitate the spike piercing the seal, and not as a way to eliminate the need to have a spike that could pierce a seal, the Federal Circuit rejected this argument. It instructed that the "[i]t is not enough that it would have been obvious to a person of ordinary skill that a preslit trampoline seal could be used without a spike." *Id.* at *7.[38]

The Federal Circuit's analysis in *ICU Medical*, where it first determined that the claim covered two distinct embodiments – valves with spikes and valves without spikes – and then looked to see if the specification adequately described *each* of these distinct embodiments, appears very similar to the analysis it has applied in the enablement context. In assessing whether a specification enables the full scope of a claim where the claim covers two distinct embodiments, the Federal Circuit has demanded that the specification provide an enabling disclosure for both distinct embodiments.[39] Although the Federal Circuit did not cite to its enablement cases in *ICU Medical*, it appears to have applied the same principle in analyzing whether the full scope of the claimed invention had been adequately described.

Commercial Durability Testing

The doctrine of "experimental negation" provides that a public use or sale of an invention that would otherwise render the claims to the invention invalid under § 102(b) will not invalidate the claims if the use or sale was done primarily to experiment with the *claimed* invention by testing it to improve its qualities *before* the invention is reduced to practice.[40] The doctrine arose from the belief that "allowing inventors to experiment to perfect their inventions before applying for a patent serves the public by giving the public a better invention."[41] Not all alleged "experimental" uses of an invention will negate a prior public use. As shown by the Federal Circuit's opinion in *Clock Springs, L.P. v. Wrapmaster, Inc.*, No. 2008-1332, 2009 WL 766268, *4-*8 (Fed. Cir. Mar. 25, 2009), to qualify for "experimental negation," the public use must be for the purposes of testing aspects of the claimed invention related to filing a patent application,[42] not for making the invention commercially attractive.[43]

In *Clock Springs*, the court affirmed a summary judgment holding claims directed to a method of repairing a damaged pipe invalid based on the inventor publicly demonstrating the method to industry regulators three years before it filed its patent application. The patentee argued that the demonstration was experimental since the inventor sought to test the durability of the repair made with the method. Accepting the contention that industry reports written years later supported an inference that the demonstration sought to test the durability of the repair, the Federal Circuit, nonetheless, concluded that

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[38] *See also* APD § 22:32 Rendering Claimed Invention Obvious is Not Sufficient.

[39] *E.g. Sitrick v. Dreamworks*, 516 F.3d 993, 999-1000 (Fed. Cir. 2008) (claims invalid where movie format not enabled even though videogame format was enabled and stating "[b]ecause the asserted claims are broad enough to cover both movies and video games, the patents must enable both embodiments."); *Automotive Technologies, Int'l., Inc. v. BMW of N. Am., Inc.*, 501 F.3d 1274, 1285 (Fed. Cir. 2007) (claims not enabled where they covered both mechanical and electrical sensors and only the mechanical sensor embodiment was enabled); *Liebel-Flarsheim Co. v. Medrad, Inc.*, 481 F.3d 1371, 1378-80 (Fed. Cir. 2007) (claims to a medical injector covering embodiments with and without a pressure jacket failed enablement requirement where specification only enabled the embodiment with the jacket). See generally, APD § 20:50 Enabling of any One Mode Suffices.

[40] *See generally*, APD § 17:156 Experimental Use is Not a Public Use.

[41] APD § 17:158 Purpose and Policy Objective of Experimental-Use Doctrine.

[42] *See generally*, APD § 17:162 Experimental Use of Invention Defined by the Claims.

[43] *See generally*, APD § 17:177 Testing to Determine Commercial Feasibility is Not Experimental Use.

as a matter of law the demonstration was not experimental. It explained that "[a] use may be experimental only if it is designed to (1) test claimed features of the invention or (2) to determine whether an invention will work for its intended purpose[.] . . . But, there is no experimental use unless claimed features or overall workability are being tested for purposes of the filing of a patent application." *Id.* at *7. Considering the test reports submitted by the patentee documenting the public demonstration, the Federal Circuit noted that nothing in the test reports indicated that the inventor was seeking to test aspects of the limitations of the claims. Rather, the inventor was seeking to test the commercial durability of the repairs achieved by the method so that the method would be approved by the regulators for commercial use. The court found further confirmation that the public demonstration was not for purposes of filing the patent application by noting that the pipes repaired with the claimed method in 1989 were dug up to examine how well the repair held up a year after the patent application had been filed. Hence, the court concluded that "even if durability were being tested, it was not for purposes of the patent application, and cannot bring the experimental use exception into play." *Id.*

The patentee also argued that since government regulations legally prohibited it from commercially using its claimed method until a year after it filed its patent application, its earlier demonstration must have been experimental. The Federal Circuit instructed that even if "the inventors were not legally allowed to perform the method on a pipeline in commercial operation, [that] does not mean that a public use did not occur. The former fact has absolutely nothing to do with the latter question." *Id.* at *8.

Contributing What's Already in the Prior Art

With its focus on rewarding the actual inventors, U.S. patent law requires that when an invention is jointly conceived by persons working together, the patent must be applied for in the name of all the individuals who are "joint inventors."[44] To delineate when an individual qualifies as a joint inventor, the Federal Circuit has developed a standard that joint inventorship requires that each joint inventor must "(1) contribute in some significant manner to the conception or reduction to practice of the invention, (2) make a contribution to the claimed invention that is not insignificant in quality, when that contribution is measured against the dimension of the full invention, and (3) do more than merely explain to the real inventors well-known concepts and/or the current state of the art."[45]

In view of factor 3, Federal Circuit case law recognizes that an individual does not attain the status of being a joint inventor by only contributing the exercise of ordinary skill in the art since that contribution does not contribute to the conception of the claimed invention.[46] Illustrating this principle, the Federal Circuit in *Nartron Corp. v. Schukra U.S.A., Inc.*, No. 2008-1363, 2009 WL 539912, *4-*6 (Fed. Cir. Mar. 5, 2009), rejected an accused infringer's attempt to show that the asserted patent failed to name a joint inventor. The asserted patent claimed a control module for an automobile seat having massage capabilities. The invention focused on the electronic control of various seat components, including a lumbar support adjustor. One of the dependent claims claimed the feature that the lumbar support adjustor had an "extender." The accused infringer alleged that the inventors named on the patent did not conceive of the idea of using a lumbar support adjustor with an extender, but rather that aspect of the invention was conceived by an employee of one of the accused infringers who had not joined the suit. The district court agreed with the accused infringer and dismissed the suit for failing to join the employee.[47] On appeal

[44] 35 U.S.C. § 116 ("When an invention is made by two or more persons jointly, they shall apply for patent jointly and each make the required oath, except as otherwise provided in this title. Inventors may apply for a patent jointly even though (1) they did not physically work together or at the same time, (2) each did not make the same type or amount of contribution, or (3) each did not make a contribution to the subject matter of every claim of the patent.").

[45] *Pannu v. Iolab Corp.*, 155 F.3d 1344, 1351 (Fed. Cir. 1998).

[46] *See generally*, APD § 26:119 Not Joint Inventor if Only Contribute What is Already in the Art. *See also* APD § 26:120 Merely Suggesting Result.

[47] If a patent fails to name all joint inventors, the patentee must be given an opportunity to correct the named inventorship under 35 U.S.C. § 256, ¶ 2, before the claims can be held invalid. *See* APD § 26:125 Patentee Must be Given Opportunity to Correct Inventorship Errors. Further, each joint inventor is presumed to have a pro rata share of the entire patent regardless of the amount of contribution to the conception. *See* APD § 26:123 Joint Inventors' Ownership Rights in the Patent. Normally, all co-owners of a patent must join in bringing an infringement suit. *See* APD § 9:40 Infringement Action Must be Brought by All Co-owners. Hence, if a correction of inventorship introduces a new joint inventor, who thereby becomes a new co-owner, and that co-owner cannot or will not join the suit, that failure can lead to a dismissal of the infringement suit for failing to join an indispensible party. *See e.g.*, *Int'l Nutrition Co. v. Horphag*

the Federal Circuit reversed.

The Federal Circuit noted that the use of an extender on a lumbar support adjustor of an automobile seat, the employee's alleged contribution to the claimed invention, was in the prior art. Accordingly, the court found that "the contribution of the extender is insignificant when measured against the full dimension of the invention of claim 11, not just because it was in the prior art, but because it was part of existing automobile seats, and therefore including it as part of the claimed invention was merely the basic exercise of ordinary skill in the art." *Id.* at *4. The court further noted that while the alleged omitted inventor may have researched specific extenders to use, the patent only disclosed and claimed the extender in general and basic terms. Since the prior art already taught using extenders in automobile seats, the employee's alleged contribution to the invention did not rise to a contribution of a joint inventor. *Id.* at *5. The Federal Circuit stressed that "[t]his is not a case in which a person claims to be an inventor because he has suggested a non-obvious combination of prior art elements to the named inventors. Such an individual may be a co-inventor. There is not, and could not be, any claim that the addition of the extender here was anything but obvious. Benson's contribution therefore does not make him a co-inventor of the subject matter of claim 11." *Id.*

Use of Court-Appointed Technical Expert

Rule 706 of the Federal Rules of Evidence permits a district court to appoint a neutral expert witness to testify at trial.[48] The Federal Circuit confirmed in *Monolithic Power Systems, Inc. v. O2 Micro International Ltd.*, No. 2008-1128, 2009 WL 539910, *3 (Fed. Cir. Mar. 5, 2009), that district courts have the power to appoint technical experts to testify on issues of infringement and invalidity. There, after concluding that the electrical engineering issues raised by the infringement and invalidity issues were so complicated, that that jury would likely never understand the parties competing experts, the district court required the parties to agree on a third expert that the court would appoint as a neutral expert. During the trial, the appointed expert witness testified on his opinions of invalidity and infringement. The district court explained to the jury that the expert had been appointed by the court to act as an independent expert. The district court also gave the jury a cautionary instruction that the jury was not to give the appointed expert's testimony "greater inherent weight" based on the expert's independent status. Of the two claims at issue, the appointed expert testified that the first claim was infringed but invalid for obviousness, and the second claim was not infringed and was not obvious. The jury found both claims infringed, and both claims invalid for obviousness.

The Federal Circuit rejected the patentee's argument that the use of the court-appointed expert and informing the jury as to the independent status of the expert "unduly burdened" the patentee's Seventh Amendment right to a jury trial. Examining the procedure employed by the district court, the Federal Circuit held that the district court had not abused its discretion in using the appointed expert. The Federal Circuit found that the district court had followed all of the requirements of Rule 706. The district court "allowed the parties to show cause why an expert witness should not be appointed, and over [the patentee]'s objections, instructed the parties to nominate candidates and confer upon a mutually agreeable witness." *Id.* at *4. The district court gave the expert detailed written instructions regarding his duties, and ordered the expert to make himself available for depositions and for examination at trial. *Id.* The parties shared the expert's reasonable fees and expenses. *Id.* The district court did not limit in any way the parties' ability to call their own experts to attack, support, or supplement the testimony of court appointed expert. *Id.*

Finally, the Federal Circuit also found that the district court did not abuse its discretion when it disclosed to the jury the appointed expert's independent status, in full accordance with Rule 706. *Id.* at *4-*5. The Federal Circuit characterized the patentee's objections to disclosing the independent status of the expert to the jury as policy arguments that had been rejected by Congress in enacting Rule

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Research Ltd., 257 F.3d 1324, 1331 (Fed. Cir. 2001) (affirming a summary judgment dismissing infringement complaint for lack of standing and affirming denial of motion to amend to join co-owners as being futile where one of the defendants was a co-owner of the patent and refused to join the plaintiff in prosecuting the suit). In *Nartron* the alleged omitted coinventor was an employee of one of the accused infringers, and may have had an obligation to assign whatever rights it had in the patent to his employer. Thus, the district court found that there was a failure to join an indispensible party.

[48] See generally, APD § 3:22 Court-Appointed Experts and § 44:55.80 Court-Appointed Experts under F.R.E. 706 [forthcoming section].

706(c).[49] *Id.* at *5. Nonetheless, while finding no abuse of discretion by the district court, the Federal Circuit stated that "[t]he predicaments in court appointment of an independent expert and revelations to the jury about the expert's neutral status trouble this court to some extent." *Id.* It thus cautioned that "[c]ourts and commentators alike have remarked that Rule 706 should be invoked only in rare and compelling circumstances." *Id.*

Dismissal Sanction for Discovery Violation

Rule 37(b)(2)(A)(v) of the Federal Rules of Civil Procedure permits a district court to dismiss an action as a sanction for violating a discovery order. As shown by the Federal Circuit's recent decision in *ClearValue, Inc. v. Pearl River Polymers, Inc.*, No. 2007-1487, 2009 WL 750176 (Fed. Cir. Mar. 24, 2009), this "death knell" sanction is generally reserved for the truly egregious cases.[50]

In *ClearValue*, the district court (Judge Davis of the E.D. of Texas), found that during discovery a patentee and its counsel intentionally failed to produce results of some testing done on the accused product that had been shared with the patentee's testifying expert witness. The results of the testing raised questions as to whether the accused product infringed. For the discovery violation, the district court awarded a series of sanctions including an award of attorney's fees under Rule 37(b) and an order dismissing the patentee's infringement claims and granting the accused infringer a default judgment on its invalidity counterclaims.

On appeal, the Federal Circuit affirmed the district court's finding of sanctionable conduct. The Federal Circuit found that since the test results had been disclosed to the patentee's testifying expert, the patentee had a duty under Rule 26 to produce the test results to the accused infringer even though the patentee's testifying expert may not have relied on the test results in reaching his opinion.[51] *Id.* at *9-*11. Applying the abuse of discretion standard, and noting the deferential standard of review given to a district court's findings as to witness credibility, the Federal Circuit concluded that the district court had not abused its discretion in ruling that the patentee and its counsel had engaged in sanctionable conduct that harmed the accused infringer. *Id.* at *11. Accordingly, the Federal Circuit found that the district court appropriately awarded attorney's fees under Rule 37(b) as a sanction. *Id.* at *12.

Applying Fifth Circuit precedent, however, the Federal Circuit reversed the sanction ordering the dismissal of the infringement claims and default judgment on the invalidity counterclaims. *Id.* at *14-*15. The court noted that under Fifth Circuit law, a dismissal sanction must be a "remedy of last resort." *Id.* at *14. Comparing the egregiousness of the patentee's discovery violation to Fifth Circuit cases where the Fifth Circuit refused to impose the death knell sanction, which included cases where the sanctioned party altered evidence or destroyed evidence, the Federal Circuit held that the patentee's conduct did not rise to a level that supported a dismissal sanction. *Id.* at *15.

LEGISLATIVE HAPPENINGS

Patent reform appears to be on a fast track in Congress. In early March, bills to continue last year's efforts to revise the Patent Act were introduced in Senate and the House. The Senate Judiciary Committee held a day of hearings the second week of March, mostly addressing the proposed damages provisions. Thereafter, a second reform bill was introduced in the Senate. Despite a call from Senator Specter to delay the bills until the Federal Circuit had a chance to address the "entire market value" rule and other damages issues in an appeal currently pending before the court, Senator Lehay has been pushing to get the bill out of the committee. Currently, the main point of contention appears to be the damages provision. Late in the month the Senators announced that a proposed compromise may have been reached on language for the damages provisions. They also announced that additional substantive amendments to the bill will be announced in early April. These amendments are expected to address the "hot issues" of

[49] F.R.E. 706(c) provides: "In the exercise of its discretion, the court may authorize disclosure to the jury of the fact that the court appointed the expert witness."

[50] *E.g.*, *Monsanto Co. v. Ralph*, 382 F.3d 1374, 1380-82 (Fed. Cir. 2004) (affirming Rule 37(b) sanction striking all of accused infringer's pleadings, and entering liability verdict in favor of patentee, based on accused infringer's intentional violation of court's discovery order, intentional spoliation of evidence, and repeated acts of lying to the court). *See generally*, APD § 41:202 Dismissal of Action or Striking of Defenses Under Rule 37.

[51] *See generally*, APD § 42:184 Material Given to Party's Own Testifying Experts (discussing waiver of work-product immunity when otherwise protected material is given to a testifying expert).

venue, interlocutory appeal of claim construction orders, inequitable conduct, and willful infringement. We will report further on the bill after its provisions solidify.

FIRM HAPPENINGS

The Intellectual Property Owners Association (IPO) will be hosting a day and half conference entitled "Realities and Myths in Patent Litigation Today: 'Non-Practicing' Patent Owners and Other Issues," on May 28 and 29, at the Grand Hyatt Hotel, in Washington, D.C. Bob Matthews will be speaking at the conference on the issue of injunctive relief for patent infringement in the wake of *eBay*, addressing in particular the availability of injunctive relief for non-practicing patent owners.