



PATENT REFORM ACT OF 2005 NOT IMPLEMENTED SUPREME COURT TO REVIEW SCOPE OF PATENTABLE INVENTIONS FEDERAL CIRCUIT INVALIDATES CLAIM DIRECTED TO BOTH SYSTEM AND METHOD AS INDEFINITE FEDERAL CIRCUIT FINDS USE OF WORD "A" IN CLAIM LIMITED SCOPE TO A SINGLE ELEMENT FEDERAL CIRCUIT BROADENS CLAIM TERM "DIFFERENT CHARACTERISTICS" TO INCLUDE DIFFERENT COLORS OF THE SAME MATERIAL FEDERAL CIRCUIT FINDS INEQUITABLE CONDUCT SINCE DISCLOSED EXAMPLE NOT PERFORMED FEDERAL CIRCUIT FINDS TERM NOT LIMITED BY ARGUMENTS MADE DURING PROSECUTION FEDERAL CIRCUIT FINDS THAT INEQUITABLE CONDUCT FOR SUBMISSION OF MISLEADING VIDEO EVIDENCE SUPPORTING PATENTABILITY BOARD OF PATENT APPEALS AND INTERFERENCES CASE OF NOTE: *EX PARTE LUNDGREN* FEATURE COMMENTARY: HOW TO TAKE ADVANTAGE OF THE CREATE ACT

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PATENT REFORM ACT OF 2005 NOT IMPLEMENTED

Despite high hopes, the Patent Reform Act introduced in 2005 has not been implemented. As background, the Patent Reform Act was introduced by representative Lamar Smith as a result of pressures from various groups and issues surrounding the current patent system. The Patent Reform Act was intended to overhaul multiple aspects of patent practice. Among the major areas being reformed, the Patent Reform Act overhauls basic procedures including the filing of patent applications, how patent practitioners are regulated, and even how patents are enforced. The patent reform act was designed to please or compromise between various industry groups while at the same time invigorating the patent system. In addition to the major publicized changes the Patent Reform Act proposes other alterations that, while receiving less notice, have just as much practical effect. Given the broad scope of the proposed changes, there was not enough time to accommodate the various industry

comments and concerns on the ramifications of the proposed reforms. As such, the Patent Reform Act was likely too ambitious a project to be passed in its initial form given its attempt to revise the existing first to invent system in addition to the introduction of limitations on injunctions and damages. While not presently enacted, given the interest generated by the proposed reforms, it is likely that many of the elements of the Patent Reform Act will be introduced in a future session of Congress. For an overview of the proposed changes in the Patent Reform Act of 2005, as well as their practical consequences, please see James G. McEwen, IS THE CURE WORSE THAN THE DISEASE? AN OVERVIEW OF THE PATENT REFORM ACT OF 2005, 5 J. MARSHALL REV. INTELL. PROP. L. 55 (2005). An electronic copy of the article can be found at <http://www.jmls.edu/ripl/> or by email request to James G. McEwen (jmcewen@smbiplaw.com).

SUPREME COURT TO REVIEW SCOPE OF PATENTABLE INVENTIONS

On October 31, 2005, the Supreme Court granted certiorari in the case of *Laboratory Corporation of America v. Metabolite Laboratories (LapCorp)*. The Supreme Court announced that it will hear LabCorp's appeal the Federal Circuit's decision on the scope of patentable subject matter under 35 U.S.C. 101 with respect to patent claims that involve laws of nature, natural phenomenon and abstract ideas. The Supreme Court will review the question of whether a patent can claim rights to a basic scientific relationship used in medical

treatment if the claim is limited to "correlating" test results.

This case involves the scientific discovery that levels of homocysteine in the blood can indicate a deficiency in two B vitamins. The claim at issue, claim 13 of Metabolite's U.S. Patent No. 4,940,658, is directed to a method of detecting a vitamin B deficiency which comprises assaying a body fluid for an elevated level of total homocysteine and then correlating an elevated level with the vitamin deficiency.

Claim 13 recites as follows:

A method for detecting a deficiency of cobalamin or folate in warm-blooded animals comprising the steps of:

assaying a body fluid for an elevated level of total homocysteine; and

correlating an elevated level of total homocysteine in said body fluid with a deficiency of cobalamin or folate.

There is nothing novel about testing the blood for levels of homocysteine. The only novel and non-obvious part of the claim is the scientific discovery, the "correlating" step.

On appeal, the Federal Circuit found the claim to be valid and willfully infringed. In particular, the Federal Circuit found that the defendant had induced infringement through its publications advising doctors that elevated levels of total homocysteine correlate with vitamin B deficiency.

LabCorp argues that claim 13 is invalid for a number of reasons. LabCorp points out that although the claim requires a step of "correlating," there is no description of how the correlation would take place. According to the petitioner, "[s]uch a vague claim cannot be valid; for if it could be, parties could claim patent monopolies over basic scientific facts rather than any novel inventions." In addition, the claim arguably fails the written description requirement because "the specification does not describe what a practitioner must do to perform the active 'correlating' step."

Prior to granting certiorari, the Supreme Court invited the U.S. Government to file a brief addressing the validity of the claim. The Government recommended against certiorari on grounds that the record was not sufficiently developed with respect to certain fact

questions. The Supreme Court, nevertheless granted certiorari and will review as to whether a claim can validly cover a basic scientific relationship used in medical treatment such that the claim is necessarily infringed when a doctor merely thinks about the relationship after looking at a test result.

The Supreme Court appears to be bending on making this case a question of subject matter patentability. If the Supreme Court takes that route, it will likely answer many of the questions left open by *Lundgren* and *Fisher*.

SIGNIFICANCE TO PATENT HOLDERS

By deciding to hear *LabCorp*, a question of subject matter patentability, the Court may be responding to recent struggles in the PTO, Board of Patent Appeals and Interferences (BPAI), and Federal Circuit. Recently, the Federal Circuit decided that expressed sequence tags ("ESTs") are not patentable under 35 U.S.C. § 101, basing its decision on the Supreme Court's directive in *Brenner v. Mason*, requiring that inventions must have a substantial and specific utility under § 101. Since then, the BPAI has held that "there is currently no judicially recognized separate 'technological arts' test to determine patent eligible subject matter under § 101." *Ex parte Carl A. Lundgren*, Appeal No. 2003-2088 (Bd. Pat. App. & Inter., heard April 20, 2004, decision issued October 2005) (precedential). Most recently, the PTO has provided examiners with new guidelines about patentable subject matter. By granting review, the Court may clarify the debate over the scope of patentable subject matter. However, as a general rule, the decisions from the Supreme Court raise more questions than they answer. For example, how the Supreme Court resolves the issue in *Labcorp* may also have substantial implications for the patentability of business methods and even of software.

FEDERAL CIRCUIT INVALIDATES CLAIM DIRECTED TO BOTH SYSTEM AND METHOD AS INDEFINITE

In *IPXL Holdings v. Amazon.com*, IPXL sued Amazon.com alleging that Amazon's "1-click" system infringed U.S. Patent No. 6,149,055 (the '055 patent). The District Court for the Eastern District of Virginia found that Amazon's system did not infringe and that the asserted claims of the '055 patent were invalid. The District Court had found most of the asserted claims anticipated under 35 U.S.C. §102. For the remaining asserted claim not found anticipated (claim 25), the District Court found the claim indefinite under 35 U.S.C. §112.

On appeal, IPXL asserted that the claims were not anticipated since the anticipating patent, U.S. Patent No. 5,389,773, did not disclose the recited "single screen" and instead disclosed multiple sequential screens. The Federal Circuit held that, while multiple inputs were required, U.S. Patent No. 5,389,773 did not disclose that the inputs were on multiple screens and instead were provided through a single physical object on which information is displayed. The Federal Circuit also noted that U.S. Patent No. 5,389,773 contemplates

a single screen which displays all information to complete a transaction, which therefore discloses the claimed invention.

On the issue of definiteness, The Federal Circuit agreed with the District Court that claim 25 was indefinite since claim 25 mixed system and method limitations in a single claim. Specifically, claim 25 recites as follows:

The system of claim 2 [including an input means] wherein the predicted transaction information comprises both a transaction type and transaction parameters associated with that transaction type, and the user uses the input means to either change the predicted transaction information or accept the displayed transaction type and transaction parameters.

Relying on secondary sources such as MPEP 2173.05(p)(II) and Robert C. Faber, Landis on Mechanics of Patent Claim Drafting § 60A (2001), the Federal Circuit held that one skilled in the art would not be able to ascertain when infringement occurred since it was unclear as to whether the role of the user was required for infringement. While acknowledging that whether "a single claim covering both an apparatus and a method of use of that apparatus is invalid is an issue of first impression," the Federal Circuit relied upon prior Board of Patent Appeals and Interference decisions holding that such mixing of statutory classes rendered claims indefinite under 35 U.S.C. §112, paragraph 2, since a manufacturer would be unable to determine if the sale

of the system was direct or contributory infringement based upon the claim language.

A copy of this case can be found at *IPXL Holdings, L.L.C. v. Amazon.com, Inc.*, 2005 U.S. App. LEXIS 25120, Civ. Case No. 05-1009 (Fed. Cir. November 21, 2005).

SIGNIFICANCE FOR CLAIMS DRAFTING

This case has come under criticism from those in the patent field since the Federal Circuit issued an apparent de facto rule without pointing out evidence normally required for indefiniteness to be found. Moreover, present claiming practice normally encompasses multiple categories of claims, and does not account for other category mixtures accepted by the United States Patent and Trademark Office, such as product by process claims. See, Dennis Crouch, *System Claim that Includes a Method Step is Invalid as Indefinite*, Patently-O: Patent Law Blog (Nov. 21, 2005). Further, it appears that the United States Patent and Trademark Office is taking this theory of mixing one step further by saying such mixtures can also render a claim in violation of 35 U.S.C. §101. See, Dennis Crouch, *BPAI: Mixing Subject Matter => Rejection*, Patently-O: Patent Law Blog (November 28, 2005) *discussing Ex parte Moore*, Appeal No. 2005-0970 (BPAI 2005) (**NOT PRECEDENTIAL**). As such, while prior patent claiming practice had allowed such mixing on a limited basis, applicants need to take greater care when including method of operation features in system claims to ensure that the method relates to the interaction of parts in the system.

FEDERAL CIRCUIT FINDS USE OF WORD "A" IN CLAIM LIMITED SCOPE TO A SINGLE ELEMENT

In *Norian Corp. v. Stryker Corp.*, the Federal Circuit affirmed the District Court's grant of summary judgment of non-infringement based upon a narrow interpretation of the claim term "a." Specifically, Norian asserted infringement based upon claims 8-10 of U.S. Patent No. 6,002,065. Claim 8 recites, among other features "a solution consisting of water and a sodium phosphate" with the sodium phosphate being in concentration of 0.01 to 2.0 M. Claims 9 and 10 depend from claim 8 and recite different amounts of the sodium phosphate. The District Court held that the solution recited in claim 8 requires a mixture having the recited range for a single type of sodium phosphate and does not cover solutions with mixtures of sodium phosphates. Since Stryker's accused solution includes a mixture of different types of sodium phosphates (i.e., monobasic sodium phosphate and dibasic

sodium phosphate), the District Court held that there was no single type of sodium phosphate meeting claim 8.

In affirming the District Court's opinion, the Federal Circuit noted that, while claim 8 recites "at least one calcium source" and "at least one phosphoric acid source," claim 8 does not recite at least one sodium phosphate. According to the Federal Circuit, if Norian had intended to cover more than one type of sodium phosphate, "it would have been simple to use the same language."

Additionally, the Federal Circuit noted that, while the word "a" is generally open ended and means more than one, "a" is only open ended when open ended claim terminology is used. As such, the word "a" following "comprising" can mean more than one. However, where closed terminology such as "consisting of" is used or where there is evidence in

the prosecution history that the word "a" is intended to mean a single item as opposed to more than one item, the word "a" is limited to a single item. Since claim 8 uses closed terminology (consisting of), the District Court's interpretation is supported by the claim language by itself.

Lastly, the Federal Circuit noted that, even assuming closed terminology was not used, the specification and the prosecution history support the more narrow interpretation. Specifically, while each of the disclosed examples uses only a single sodium phosphate in the example solutions, there is no example or suggestion in the specification that a solution has multiple sodium

phosphates. The Federal Circuit further noted that, during prosecution, Norian had further made representations that the solution includes only a single sodium phosphate, and had represented to the Examiner that the specification's examples show that the scope of the claimed invention was explicitly for sodium phosphates used individually and not in combination. As such, the Federal Circuit upheld the District Court's dismissal on the basis of non-infringement.

A copy of the case can be found at *Norian Corp. v. Stryker Corp.* 2005 U.S. App. LEXIS 26528, Civ. Case No. 05-1172 (Fed. Cir. December 6, 2005).

FEDERAL CIRCUIT BROADENS CLAIM TERM "DIFFERENT CHARACTERISTICS" TO INCLUDE DIFFERENT COLORS OF THE SAME MATERIAL

In *Sorensen v. International Trade Commission* (ITC), Sorensen alleged that Mercedes-Benz imports violated its patented injection molded tail lights and requested that the ITC institute an investigation. However, after the investigation, the ITC found no infringement based on its interpretation of the claims and issued summary judgment for defendants that no infringement occurred. The Federal Circuit vacated the summary judgment.

The patent being asserted is directed to a multi-layer injection molding with at least two materials having "different characteristics." The Commission's administrative judge found that the term "different characteristics" refers to plastics that have different molecular properties, but could not refer to different colors of the same material. Mercedes' accused product is an automobile tail light lens that is a lamination of two plastics that are different only in color. Hence, under this claim construction, the administrative judge found that this accused product did not satisfy the "different characteristics" limitation.

On appeal, the Federal Circuit reversed because the claim did not exclude color as a basis for differing characteristics. Moreover, the specification did not so limit the term, and there was no disavowal of scope in the prosecution history. In fact, according to the Federal Circuit, since the specification suggests that the materials may be "the same," the "different characteristics" limitation would require some difference other than molecular structure, such as color. Similarly, the specification also allows for the materials to be different in transparency, which is not necessarily related to molecular structure and lends credence to the idea that color differences are "different characteristics." As such, the Federal Circuit held that narrow interpretation adopted by the administrative judge was improper and vacated the summary judgment.

A copy of this case can be found at *Sorensen, et al. v. International Trade Commission, et al.*, 427 F.3d 1375 (Fed. Cir. 2005).

FEDERAL CIRCUIT FINDS INEQUITABLE CONDUCT SINCE DISCLOSED EXAMPLE NOT PERFORMED

In *Novo v. Bio-Technology*, Novo appealed the final judgment of the U.S. District Court for the District of Delaware, which held two claims of Novo's U.S. Patent No. 5,633,352 (the '352 patent) invalid by reason of anticipation and unenforceable due to inequitable conduct. The U.S. Court of Appeals for the Federal Circuit affirmed the judgment of invalidity with respect to claim 1 of the '352 patent, as well as the judgment that the patent is

unenforceable. The Court also vacated the judgment of invalidity with respect to claim 2 of the '352 patent.

Novo's '352 patent is directed to a process for producing "ripe" human growth hormone (hGH) protein in *E.Coli* bacteria through the use of recombinant DNA techniques. The hGH protein has a specific sequence of 191 amino acids and is secreted by the anterior pituitary gland. Until the

mid-1980's, hGH could be obtained only from the pituitary gland of a human cadaver, known as "pituitary-derived hGH." However, use of pituitary-derived hGH carried a high risk of contamination and infection for the patient. Prior to the '352 patent various attempts were made to produce synthetic hGH but were unsuccessful. In one example, an hGH having 192 amino acids resulted instead of the 191 amino acids found in "pituitary-derived hGH." The additional amino acid resulted in an hGH variant not functioning in the same way as the pituitary derived hGH.

The '352 patent discloses the production of ripe hGH protein having 191 amino acids and traces priority back through a series of continuation applications to a 1983 PCT application. The 1983 PCT application traces priority back to a 1982 Danish patent application filed on December 10, 1982. The '352 patent issued from U.S. Application Ser. No. 402,286 filed on March 10, 1995.

On July 7, 2000 the Board of Patent Appeals declared an interference involving Novo's '352 patent and Bio-Technology's '248 application. Novo filed a preliminary motion in the interference seeking the benefit, for purposes of priority, of the filing date of the 1983 PCT application. On March 12, 2002, the Board issued its final decision, awarding priority to Novo.

On April 1, 2002, Bio-Technology appealed the final decision of the Board to the U.S. District Court for the District of Delaware. The district court reversed the Board's decision, ruling that the 1983 PCT application was not enabled. On April 30, 2002 Novo filed a complaint in the District of Delaware and on June 12, 2002 Bio-Technology filed its answer to the complaint and asserted a counterclaim for a declaratory judgment that the '352 patent is invalid and unenforceable. Following the trial, the district court found (a) claim 1 was anticipated by a December 1981 article and (b) held that the '352 patent was unenforceable based on inequitable conduct during prosecution of the application.

On appeal, the Federal Circuit held claim 1 anticipated by the article since the article disclosed the limitations of claim 1 of the '352 patent. Specifically, the Federal Circuit found that the article disclosed the production of ripe hGH protein in an enabling manner because it discussed particular materials and a particular methodology to produce the ripe hGH protein.

Regarding the issue of inequitable conduct, the court held that the 1983 PCT application disclosed the use of a LAP enzyme to produce ripe hGH. The district court also found that when the 1983 PCT application was filed, the inventors had not successfully prepared hGH with LAP. Novo made several attempts between the filing of the PCT and March 7, 1984 to synthesize hGH using LAP. Finally, on

March 7, 1984, Novo successfully synthesized hGH using commercial LAP, unbeknownst to Novo at the time, that the LAP contained DAP I enzyme. On October 18, 1984 Novo scientists concluded that the active component in LAP was not LAP itself but a contaminating substance, in this case DAP I enzyme. The discovery that this contaminating substance was DAP I led to the filing of a 1986 PCT application. On October 3, 1986, Novo filed U.S. Patent Application No. 06/910,230 claiming priority to the 1986 PCT application. During prosecution of the '230 application, the claims were rejected and eventually the '230 application was abandoned. Over the next several years, Novo filed a number of U.S. applications describing the use of the DAP I enzyme to produce ripe hGH and claiming priority to the 1986 PCT application. Then, on November 12, 1992, Novo filed the '856 application and in a preliminary amendment, Novo amended the specification to indicate that the application was entitled to a priority date of December 10, 1982, based upon the 1983 PCT application claiming priority to the 1982 Danish application. Initially the Examiner did not accept the new priority claim and a rejection issued. Later on, the examiner held a personal interview with Novo attorneys and two of the inventors, discussing where in the priority documents enablement was present. Novo followed the interview addressing the issue of whether the 1983 PCT application was enabled and the examiner allowed the application. However, Novo failed to disclose to the PTO that an example of the 1983 PCT application, producing ripe hGH, had never been actually performed and the examiner relied upon such example to grant the priority of the 1983 PCT application. Because Novo failed to disclose to the PTO that the example of the 1983 PCT application, producing ripe hGH, had never been actually performed and the PTO relied upon such example to grant the priority of the 1983 PCT application, the Federal Circuit held that the '352 patent was unenforceable based on inequitable conduct during prosecution of the application.

A copy of this case can be found at *Novo Nordisk Pharmaceuticals v. Bio-Technology General*, 424 F.3d 1347 (Fed. Cir. 2005).

SIGNIFICANCE OF CASE FOR APPLICATION DRAFTING

This case is one of many that discuss the need for applicants to clearly describe examples when presented in an application since these examples are evidence Examiners rely upon to distinguish over the prior art. Under existing law, when presenting examples in the body of the specification, it is important to distinguish between speculative examples, which have not been performed, as

opposed to an example which was performed. *E.g.*, *Hoffmann-La Roche Inc. v. Promega Corp.*, 66 USPQ2d 1385 (Fed. Cir. 2003)(Inequitable conduct found based upon specification described example in past tense even though never performed). Under *Novo Nordisk*, this rule has been extended to situations where the example, while performed, was not presented accurately. In this situation, the applicants are under a duty to clarify the example so as to not mislead the Examiner about the scope of the invention disclosed and supported by the example.

FEDERAL CIRCUIT FINDS TERM NOT LIMITED BY ARGUMENTS MADE DURING PROSECUTION

Nystrom obtained U.S. Patent No. 5,474,831 for a board having a convex top surface for use in constructing a flooring surface of a deck, and filed suit against TREX in the U.S. District Court for the Eastern District of Virginia, alleging TREX had infringed the '831 patent. TREX counterclaimed, seeking a declaratory judgment of non-infringement, invalidity, and unenforceability, and alleging antitrust violations by Nystrom, his company, and his attorneys. The district court held a *Markman* hearing and issued a claim construction ruling construing the disputed claim term "convex top surface" to mean "an upper surface with an outward curve that has a ratio of its radius of curvature to width of the board between 4:1 to 6:1".

In its ruling, the district court noted that "the specification does not contain any indication that the term convex top surface is to be assigned a specific range of curvature", but relied on statements Nystrom made in the prosecution history in arguing the patentability of a dependent claim, wherein Nystrom stated that "[i]t should be noted, however, that the ratio of the radius of curvature of a board to its width can vary within certain relatively narrow limits, e.g. from about 4:1 to about 6:1, and still meet the basic objectives of the invention, although the preferred ratio is about 5:1", and that "[a]nything much outside this range does not provide satisfactory performance and/or is not acceptable to the consumer". The district court concluded that Nystrom's statement that "[a]nything much outside this range . . . is not acceptable" implied that his statement regarding a range of 4:1 to 6:1 for the radius of curvature ratio applied to the entire patent, and was not intended to apply solely to the dependent claim being argued.

On appeal, Nystrom argued that the district court erred by ignoring the ordinary and customary meaning of the claim term "convex top surface", which is "an upper surface with an outward curve", and by finding instead that Nystrom limited this claim term to mean a convex top surface having a radius of curvature ratio in the range of 4:1 to 6:1 to distinguish the invention over a prior art reference. The court of appeals agreed with Nystrom, pointing out that the district court had ignored the fact that at the time Nystrom made the statements the district court had relied on, the dependent claim being argued contained the following language expressly providing for a radius of curvature ratio of about 5:1: "said top surface having a radius of curvature that is approximately five times as great as the width of the board, thereby defining a smoothly shaped and shallow convex top surface that sheds water"

The court of appeals said that Nystrom's statements were expressly directed to the dependent claim being argued, and there was no indication that Nystrom intended the claim "convex top surface" in all of the pending claims to be limited to a specific radius of curvature ratio. Accordingly, the court of appeals found that the prosecution history did not redefine or disclaim the term "convex top surface" in the claims, and held that the correct construction of this term is the ordinary and customary meaning of an upper surface that curves or bulges outward, as the exterior of a sphere.

A copy of the case can be found at *Nystrom v. TREX Company, Inc.*, 424 F.3d 1136 (Fed. Cir. 2005) *reh'g en banc denied* 2005 U.S. App. LEXIS 26669 (Fed. Cir. 2005).

FEDERAL CIRCUIT FINDS THAT INEQUITABLE CONDUCT FOR SUBMISSION OF MISLEADING VIDEO EVIDENCE SUPPORTING PATENTABILITY

During prosecution of a patent application for a camera lens, Frazier argued that the increased depth of field achievable with the claimed lens distinguished the claimed lens from the prior art, and submitted a video purportedly

shot with the claimed lens showing this increased depth of field, when in fact certain scenes in the video were not shot with the claimed lens. The examiner subsequently allowed the application without further rejection. Frazier sued Roessel for infringement, and the district court found that the submission of the video was a material representation made with intent to deceive, and accordingly held that the patent was unenforceable for inequitable conduct.

On appeal, Frazier argued there was insufficient proof to show the examiner was misled by the video because the claimed lens was capable of producing the shots in the video, as evidenced by Frazier's recreation of the shots in the video using the claimed lens and his expert's testimony about the capabilities of the claimed lens. The appeals court was not convinced, holding that the mere submission of the video constituted a sufficiently material misrepresentation without regard to whether the claimed lens could produce the same shots. *Rohm & Haas Co. v. Crystal Chem. Co.*, 722 F.2d 1556, 1571 (Fed. Cir. 1983) ("In contrast to cases where allegations of fraud are based on the withholding of prior art, there is no room to argue that submission of false affidavits is not material.").

Frazier also argued that he could not have intended to deceive unless he believed the claimed lens was incapable of achieving the depth of field of the lens used to shoot the video. The appeals court was not convinced, stating that Frazier's argument, if correct, would require proof that he subjectively believed the submission of the video was deceptive, and holding that direct evidence of intent is unavailable in most cases and unnecessary in any event. *Bruno Indep. Living Aids, Inc. v. Acorn Mobility Servs., Ltd.*, 394 F.3d 1348, 1354 (Fed. Cir. 2005) ("Intent need not, and rarely can, be proven by direct evidence.' Rather, in the absence of a credible explanation, intent to deceive is generally inferred from the facts and circumstances surrounding a knowing failure to disclose material information." (quoting *Merck & Co. v. Danbury Pharmacal, Inc.*, 873 F.2d 1418, 1422 (Fed. Cir. 1989))); *Ulead Sys., Inc. v. Lex Computer & Mgmt Corp.*, 351 F.3d 1139, 1146 (Fed. Cir. 2003) ("Direct evidence of deceptive intent is not required; rather it is usually inferred from the patentee's overall conduct.").

A copy of the case can be found at *Frazier v. Roessel Cine Photo Tech, Inc.*, 417 F.3d 1230, 75 U.S.P.Q.2D 1822 (Fed. Cir. 2005).

BOARD OF PATENT APPEALS AND INTERFERENCES CASE OF NOTE: *EX PARTE LUNDGREN*

NO "TECHNOLOGICAL ARTS" TEST TO DETERMINE STATUTORY SUBJECT MATTER UNDER 35 U.S.C. §101

In *ex Parte Lundgren*, Lundgren filed U.S. Patent Application No. 08/093,516 on July 16, 1993, claiming the benefit of a series of continuation applications going back to 1988 for a method of compensating a manager who exercises administrative control over operations of a privately owned firm in an oligopolistic industry comprising, *inter alia*, the step of transferring compensation to the manager. The title of the application refers to a "Method and Apparatus," but no apparatus is disclosed or claimed.

In prior Appeal No. 96-0519, the Board of Patent Appeals and Interferences reversed the examiner's rejection of all of the claims under 35 U.S.C. §101 as being directed to non-statutory subject matter. The Examining Corps filed a request for reconsideration and rehearing, listing the following two issues for reconsideration:

1. Whether the invention as a whole is in the technological arts

2. Assuming that the invention is in the technological arts, whether the claim transferring compensation to a manager is a practical application.

Lundgren filed a response to the Examining Corps' request. In a decision mailed on March 13, 2001, an expanded panel of the Board remanded the application to the examiner because the record did not reflect that the examiner had considered and evaluated Lundgren's response, and because the Office of the Deputy Commissioner for Patent Examination Policy had requested that the application be remanded to the examiner so that issues regarding "technological arts" and "practical application" could be further considered.

In further prosecution, the examiner again rejected all of the claims as being directed to non-statutory subject matter under 35 U.S.C. §101, stating as follows:

both the invention and the practical application to which it is directed to be outside the technological arts, namely an economic theory expressed as a mathematical algorithm without the disclosure or suggestion of computer, automated means, apparatus of any kind, the invention as claimed is found non-statutory.

The rejection was predicated on two assertions by the examiner—that the claims fail to produce a useful,

concrete, and tangible result (later withdrawn by the Examiner), and that the claims are not limited to the technological arts as required by 35 U.S.C. §101.

Lundgren filed a second appeal to the Board, and an expanded panel of the Board heard oral argument on April 20, 2004.

In a rare precedential opinion issued in October 2005, a 3-2 majority consisting of Chief Administrative Patent Judge (APJ) Fleming, Vice Chief APJ Harkcom, and APJ Hairston reversed the examiner's rejection of the claims as being directed to non-statutory subject matter under 35 USC 101 in an eight-page *per curiam* opinion. The majority stated that the only issue for review in the appeal was, to use the examiner's terminology, "whether or not claims 1, 2, 6, 7, 19-22, 32, and 35-40 are limited to the technological arts, as required by 35 U.S.C. § 101."

The majority noted that claim 1 is directed to a process, one of the four statutory classes of subject matter listed in 35 U.S.C. § 101 which provides as follows:

Whoever invents or discovers any new and useful process, machine, manufacture, or composition of matter, or any new and useful improvement thereof, may obtain patent therefor, subject to the conditions and requirements of this title.

The majority acknowledged that the Supreme Court has ". . . recognized limits to § 101 and every discovery is not embraced within the statutory terms. Excluded from such patent protection are laws of nature, physical phenomena and abstract ideas." *Diamond v. Diehr*, 450 U.S. 175, 185, 209 USPQ 1, 7 (1981). The majority pointed out, however, that the examiner had not taken the position that claim 1 is directed to a law of nature, physical phenomena, or an abstract idea, the judicially recognized exceptions to date to 35 U.S.C. § 101, but that he had found a separate "technological arts" test in the law and had determined that claim 1 does not meet this separate test. The majority pointed out that the examiner had found the separate "technological arts" test in *In re Musgrave*, 431 F.2d 882, 167 USPQ 280 (CCPA 1970); *In re Toma*, 575 F.2d 872, 197 USPQ 852 (CCPA 1978); and *Ex parte Bowman*, 61 USPQ2d 1669 (Bd. Pat. App. & Int. 2001) (non-precedential).

The majority then reviewed these three cases, and found that they did not support the examiner's separate "technological arts" test, stating as follows:

Our determination is that there is currently no judicially recognized separate "technological arts" test to determine patent eligible subject matter under § 101. We decline to create one. Therefore, it is apparent that the examiner's rejection can not be sustained.

The majority acknowledged APJ Barrett's suggestion in his concurring-in-part and dissenting-in-part opinion that the Board enter a new ground of rejection of the claims under 35 U.S.C. § 101 as not being directed to statutory subject matter for different reasons than those expressed by the examiner. However, the majority declined to do so because in their view the proposed new ground of rejection would involve development of the factual record, and thus they took no position in regard to the proposed new ground of rejection. Accordingly, the majority reversed the decision of the examiner.

STRENUOUS DISSENTS SHOW DIVISION ON BOARD ON WHAT CONSTITUTES PATENTABLE SUBJECT MATTER

In a five-page dissenting opinion, APJ Jerry Smith took the position that the issue presented by the examiner was one of first impression, and disagreed with the majority's apparent position that all categories of non-statutory subject matter have been established (i.e., laws of nature, physical phenomena, and abstract ideas).

APJ Smith warned the majority that their position that essentially anything that can be claimed as a process is entitled to a patent under 35 U.S.C. §101 "opens the floodgate for patents on essentially any activity which can be pursued by human beings without regard to whether those activities have anything to do with the traditional sciences or whether they enhance the technological arts in any manner." APJ Smith took the position that the appropriate forum for deciding the question at issue in this case is the federal judiciary, and urged that the examiner's rejection be sustained so that the federal judiciary will have a chance to decide the question. He also joined APJ Barrett in urging the Board to enter a new ground of rejection under 35 U.S.C. 101.

In a massive sixty-five-page single-spaced concurring-in-part and dissenting-in-part opinion, APJ Barrett agreed with the majority that there is no separate "technological arts" test. However, in an exhaustive legal analysis of statutory subject matter reaching back to the British

Statute of Monopolies of 1623, 21 Jac. 1, ch. 3., APJ Barrett vigorously dissented with virtually every other statement made by the majority and concluded that claim 1 is not directed to statutory subject matter under 35 U.S.C. § 101 for numerous other reasons, and urged that the Board enter a new ground of rejection under 35 U.S.C. § 101 for those reasons.

A copy of the case can be found at *Ex parte Carl A. Lundgren*, Appeal No. 2003-2088 (Bd. Pat. App. & Inter., heard April 20, 2004, decision issued October 2005) (precedential).

FEATURE COMMENTARY: HOW TO TAKE ADVANTAGE OF THE CREATE ACT

BY FADI KIBLAWI & JAMES G. MCEWEN

I. INTRODUCTION

The Cooperative Research and Technology Enhancement (CREATE) Act (implemented at 35 U.S.C. §103(c)(2)) is a recently enacted provision which provides that subject matter developed by another person shall be treated as owned by the same person or subject to an obligation of assignment to the same person for purposes of determining obviousness. The CREATE Act was passed in order to facilitate cooperative agreements by allowing patents owned by different parties to be treated as commonly owned if three conditions are met:

1. The claimed invention was made by or on behalf of parties to a joint research agreement that was in effect on or before the date the claimed invention was made;
2. The claimed invention was made as a result of activities undertaken within the scope of the joint research agreement; and
3. The application for patent for the claimed invention discloses or is amended to disclose the names of the parties to the joint research agreement. (35 U.S.C. 103)

A joint research agreement is defined as “a written contract, grant, or cooperative agreement entered into by two or more persons or entities for the performance of experimental, developmental, or research work in the field of the claimed invention.”

In this way, the patents and patent publications of each party, which otherwise qualify as prior art under 35 U.S.C. §§102(e), 102(f), and (g), cannot be used as part of a combination under 35 U.S.C. §103 against an invention

resulting from the agreement. This exclusion is designed to correspond to the obviousness treatment for such prior art which is commonly owned by the applicant under 35 U.S.C. §103(c)(1), without requiring that the patent applications be assigned to a single entity as was the case prior to passage of the CREATE Act. While not of particular use where the parties have few patents in the technologies related to the joint venture, the CREATE Act can be of substantial use in improving the patentability of inventions resulting from the agreement where at least one party has a substantial number of pending patent applications related to the agreement.

II. REQUIREMENTS FOR COMPLIANCE

If an invention qualifies under the CREATE Act and meets the three conditions of 35 U.S.C. §103, then the following rules apply:

1. The specification must disclose the names of the parties to the joint research agreement in a section following the statement regarding federally sponsored research or development;
2. If the specification is amended to include the names of the parties, then a processing fee must be paid if the amendment is not filed in the stipulated time period (37 CFR 1.71(g)(2)); and
3. The applicant must provide a statement to the effect that the prior art and the claimed invention were made by or on the behalf of parties to a joint research agreement, within the meaning of 35 U.S.C. §103(c)(3) that was in effect on or before the date the claimed invention was made, and that the claimed invention was made as a result of

activities undertaken within the scope of the joint research agreement.

Where such an amendment is not made on filing of the application, the amendment must be made within the following timeframe in order to take advantage of the CREATE Act exclusion:

1. Within three months of the filing date of a national application;
2. Within three months of the date of entry of the national stage as set forth in § 1.491 in an international application;
3. Before the mailing of a first Office action on the merits; or
4. Before the mailing of a first Office action after the filing of a request for continued examination under §1.114.

If the amendment is made outside of these time frames, the amendment must be accompanied by a fee.

III. TERMINAL DISCLAIMER

As a result of the CREATE Act, situations arise where two patents for the same subject matter can issue. The legislative history of the Act, however, makes it clear that when a double-patenting situation emerges under the act, Congress intends that a new form of double-patenting disclaimer be filed in the application. This disclaimer will limit the term of a patent issuing from the application and waive the right to separately enforce the patent from the cited patent.

37 CFR 1.321(d) promulgates the terminal disclaimer requirements for the CREATE Act:

(d) A terminal disclaimer, when filed in a patent application or in a reexamination proceeding to obviate double patenting based upon a patent or application that is not commonly owned but was

disqualified under 35 U.S.C. 103(c) as resulting from activities undertaken within the scope of a joint research agreement, must:

(1) Comply with the provisions of paragraphs (b)(2) through (b)(4) of this section;

(2) Be signed in accordance with paragraph (b)(1) of this section if filed in a patent application or be signed in accordance with paragraph (a)(1) of this section if filed in a reexamination proceeding; and

(3) Include a provision waiving the right to separately enforce any patent granted on that application or any patent subject to the reexamination proceeding and the patent or any patent granted on the application which formed the basis for the double patenting, and that any patent granted on that application or any patent subject to the reexamination proceeding shall be enforceable only for and during such period that said patent and the patent, or any patent granted on the application, which formed the basis for the double patenting are not separately enforced.

This Terminal Disclaimer is similar in certain ways to existing Terminal Disclaimers filed to obviate double patenting rejections, which are filed under 37 CFR 1.321(c) with one important distinction: the Terminal Disclaimer under 37 CFR 1.321(d) only requires the disclaimed patent to be commonly *enforced* with the resulting patent, whereas 37 CFR 1.321(c) requires common *ownership*. This difference allows each party to the agreement to retain their separate ownership of their existing patents, but does prevent each party from separately licensing the disclaimed patent unless the resulting patent is licensed with the disclaimed patent. As such, when drafting the intellectual property provisions for a joint development agreement, care should be taken to allow the parties to block license existing patents and patents resulting from the agreement if the parties hope to take full advantage of the CREATE Act.

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