



SUPREME COURT FINDS EXISTENCE OF PATENT DOES NOT CONFER MARKET POWER 1
FEDERAL CIRCUIT FINDS OPINION LETTER DOES NOT PROVIDE DEFENSE TO CHARGE OF WILLFUL INFRINGEMENT 2
FEDERAL CIRCUIT FINDS MERE RESPONSE TO RFP DOES NOT CONSTITUTE OFFER TO SELL INFRINGING DEVICE 3
FEDERAL CIRCUIT FINDS "ASSOCIATE" REQUIRES DEVICE SPECIFIC ASSOCIATION FOR PURPOSES OF CLAIM CONSTRUCTION 4
FEDERAL CIRCUIT FINDS LACK OF ANTECEDENT BASIS DOES NOT AUTOMATICALLY RENDER CLAIM INDEFINITE 6
FEDERAL CIRCUIT FINDS PATENT OWNER RETAINS STANDING TO ENFORCE PATENT AFTER EXCLUSIVE LICENSE 7
DISTRICT COURT CASE OF NOTE: MEDRAD, INC. V. TYCO HEALTHCARE GROUP LP 7
FEATURE COMMENTARY: ALTERNATIVE DISPUTE RESOLUTION: CHOOSING BETWEEN ARBITRATION AND MEDIATION 8
STEIN MCEWEN & BUI IS PLEASED TO WELCOME THE FOLLOWING NEW ADDITIONS 10

SUPREME COURT FINDS EXISTENCE OF PATENT DOES NOT CONFER MARKET POWER SUFFICIENT TO FIND ANTITRUST INJURY

COURT OVERRULES PRECEDENT HOLDING THAT MARKET POWER PRESUMED IN TYING PRODUCT TIED TO UNPATENTED TIED PRODUCT

BACKGROUND

Trident owns U.S. patent no. 5,343,226, which claims a patent on an ink jet device and supply system used in the manufacture of printers. Trident also manufactures ink for use in the patented ink jet device. In licensing agreements with OEM manufacturers to use the patented ink jet device, Trident required the OEM manufacturers to purchase from Trident the ink used to refill the licensed ink jet devices. A competitor, Independent Ink, sued Trident claiming that the license agreements constitutes a per se illegal tying arrangement in violation of the Sherman Act, 15 U.S.C. §1 et seq. Specifically, Independent Ink asserted that license illegally tied the licensing of the patented ink jet with the purchase of unpatented ink.

FEDERAL CIRCUIT OVERRULED DISTRICT COURT ON ISSUE OF TYING

While the District Court held that such tying arrangements require a showing of market power in the market for the patented ink jet device, the Federal Circuit overturned the District Court's decision. Specifically, the Federal Circuit noted that, as required by the Supreme Court in Jefferson Parish

Hospital District No. 2 v. Hyde, 466 US 2, 16 (1984) and International Salt Co. v. United States, 332 US 392 (1947), where the tying product is patented, there is a presumption of market power in the tying market. The Federal Circuit specifically noted that, in comparison with recent trends to require a showing of market power for non-patented tying goods, the treatment of patented tying products and the presumption of market power has been "more consistent" than for unpatented products. (Opinion at Pg. 8). As such, while there is considerable criticism of the presumption of market power for patented products and while the prosecutorial guidance set forth in the Department of Justice's Antitrust Guidelines for the Licensing of Intellectual Property (1995) indicates that no presumption of market power exists based only upon a patent, this criticism and exercise of prosecutorial guidance "does not affect the validity of the Supreme Court's decisions in International Salt and [United States v. Loew's Inc., 371 US 38 (1962)]" such that both International Salt and Loew's remain good law. (Opinion at Pgs. 13 and 14, n. 10). Therefore, the Federal Circuit held that Independent Ink did not need to prove market power in the market of the patented tying product.

SUPREME COURT DEFINITELY HOLDS PATENTS DO NOT AUTOMATICALLY CONFER MARKET POWER

In distinguishing from the existing tying case law found in Jefferson Parish Hospital

District No. 2 v. Hyde, 466 US 2, 16 (1984) and International Salt Co. v. United States, 332 US 392 (1947), the Supreme Court held that the subsequent amendment of the Patent Act at 35 U.S.C. §271(d) removed the presumption of market power in a patented product. As such, for a tied purchase of patented and unpatented goods to be an unlawful tying arrangement, the mere fact that the patent was used to require the purchase of unpatented goods does not evidence an antitrust injury. Instead, there needs to be evidence that the patent owner has sufficient market power in the tying product beyond the mere existence of the patent.

A copy of the case is available at Independent Ink, Inc. v. Illinois Tool Works, Inc., et al. No. 04-1329 (Sup. Ct. March 1, 2006).

SIGNIFICANCE OF CASE FOR LICENSING AND SALE OF PATENTED GOODS

In its decision, the Supreme Court has confirmed the changing attitude that the courts are applying to patented goods. Specifically, the Supreme Court vindicated the Department of Justice and others in their opinion that patents do not, by themselves, confer market exclusivity in a manner which is necessarily harmful to the consumer. Moreover, the Supreme Court recognized that there can be competitive benefits to such tying arrangements which might justify what is otherwise a seemingly harmful tie. Therefore, patent owners can more easily license or sell patented and unpatented goods without inadvertently violating U.S. antitrust laws, which was easily accomplished under the previous *per se* rule.

FEDERAL CIRCUIT FINDS OPINION LETTER DOES NOT PROVIDE DEFENSE TO CHARGE OF WILLFUL INFRINGEMENT WHERE IMPORTANT TECHNICAL DOCUMENT IS WITHHELD FROM LEGAL COUNSEL

In nCube Corp. v. SeaChange International, Inc., 436 F.3d 1317; 77 U.S.P.Q.2D (Fed. Cir. 2006), a panel of the Court of Appeals for the Federal Circuit affirmed the trial court's upholding of the jury's finding of infringement, damages and partial attorney's fees and granting infringer's JMOL motion on infringement under the doctrine of equivalents. J. Rader, writing the opinion for the Court, found the trial court correctly construed the claims of nCube's patent (U.S. Patent No. 5,805,804, hereinafter referred to as the '804 patent) to encompass SeaChange's systems used by cable TV networks.

INFRINGEMENT SUPPORTED BY THE RECORD

On the issue of claim construction, the Federal Circuit upheld the District Court's interpretation. Specifically, the '804 patent claims a particular server for connecting a client to a multimedia experience. The server accomplishes this by using an upstream manager to send requests from the client, a downstream manager to send the requested multimedia content to the client, and a service to maintain connections across networks to accomplish the delivery of the upstream and downstream communications. According to the Federal Circuit, the District Court's claim construction correctly did not require all communications to go through the

upstream manager since the specification suggested another embodiment. The District Court was also upheld in not requiring all communications to use a logical address to route the packets of information in the communications across various non-uniform networks even though the logical address was the only embodiment in the specification since the requirement for the logical address was in the depending claims, thereby implying that the independent claim was broader. Based on evidence including one expert's testimony, the jury found SeaChange's systems infringed the '804 patent.

WILLFULNESS SUPPORTED BY RECORD SINCE DEFENDANTS DID NOT PROVIDE KNOWN RELEVANT DOCUMENT

The jury also found willful infringement which, "hinges on when the defendants had actual knowledge of plaintiff's patent rights, and their actions after that time." nCube, pg. 10. The willful infringement took place after nCube filed suit giving Seachange actual knowledge of the '804 patent and thus triggering an affirmative duty of due care to avoid infringement on the part of SeaChange. Rolls-Royce Ltd. v. GTE Valeron Corp., 800 F.2d 1101, 1109 (Fed.Cir.1986). In order to

show compliance with this duty of care, SeaChange relied (ultimately to its detriment) on an opinion letter obtained after suit was filed, which counsel shared with SeaChange management. The Federal Circuit found in the record that SeaChange failed to supply at least one important technical document to SeaChange's opinion counsel. Thus, "the best information [was] intentionally not made available to counsel during the preparation of the opinion, [so that] the opinion can no longer serve its prophylactic purpose of negating a finding of willful

infringement." Comark Commc'ns, Inc. v. Harris, Corp., 156 F.3d 1182, 1191 (Fed. Cir. 1998). Willfulness was thus properly found since the infringer, having received notice when the suit was filed, obtained an opinion upon of noninfringement which the infringer could not reasonably rely upon in continuing to infringe.

A copy of the case is available at *nCube Corp. v. SeaChange International, Inc.*, 436 F.3d 1317; 77 U.S.P.Q.2D (Fed. Cir. 2006).

FEDERAL CIRCUIT FINDS MERE RESPONSE TO RFP DOES NOT CONSTITUTE OFFER TO SELL INFRINGING DEVICE

In *FieldTurf Intr., Inc. et al. v. SprinTurf, Inc. et al. and SportFields LLC and Orion*, 433 F.3d 1366, 77 U.S.P.Q.2D 1468 (Fed. Cir. 2006), the Federal Circuit affirmed a summary judgment of non-infringement in favor of SportFields LLC and Orion (collectively "SportFields") and reversed summary judgment in favor of SportFields on its counterclaims of intentional interference with prospective economic advantage and unfair competition, and vacated the award of attorney fees.

FACTS

This case related to a Request for Proposal (RFP) issued by a School District in California for synthetic grass turf. SportFields, a producer of synthetic turf, initially complained to the school district that the RFP specifications "sole sourced" the FieldTurf product such that other offerors could not provide a competing proposal using equivalent goods. The RFP specifications were amended, but still contained claim elements of U.S. Patent No. 5,958,257 (the '257 patent) and U.S. Patent 6,338,885 (the '885 patent), owned by FieldTurf. SportsFields on the amended RFP was the low bidder for award of the project. FieldTurf then advised the School District and Sportfields that SportsFields' bid constituted an infringing "offer to sell" of the '257 and '885 patents under 35 U.S.C. § 271(a). The School District then withdrew the RFP and further amended the RFP specification to depart from FieldTurf's patents, with Fieldturf not bidding and the project being awarded to Sportfields.

OFFER FOR SALE DEPENDENT ON PRODUCT ACTUALLY OFFERED

On the issue of whether an offer for sale occurred, the District Court held that the bid to the withdrawn RFP did not constitute an infringing offer to sell under 35 U.S.C. § 271(a). The Federal Circuit, in affirming District Court's non-infringement determination, considered whether SportFields' bid constituted an "offer to sell" an infringing product under 35 U.S.C. § 271(a) and, whether the District Court erred in considering the identity of the product that SportsFields actually intended to provide in its non-infringement determination. The Federal Circuit held that the District Court did not err in considering the nature of the SportsFields product that was intended and understood to be the product that would be installed, in holding that Sportsfields' bid was not an offer to sell an infringing product under 35 U.S.C. § 271(a). The Federal Circuit stated that the District Court was not required to ignore these and other facts that showed that Sportsfields intended to offer and install its product, which was conceded not to literally infringe FieldTurf's patent claims.

NO UNFAIR COMPETITION/INTENTIONAL INTERFERENCE WITH CONTRACT WHERE REASONABLE BASIS FOR ALLEGATION OF INFRINGEMENT

On the issue of intentional interference with prospective economic advantage and unfair competition, the District Court's had found in favor of SportFields. The Federal Circuit reversed the District Court's determination in favor of SportFields and considered whether SportsFields' bid on the Request for Proposal (RFP) specifications, as initially

written, constituted a reasonable belief that SportsFields was offering a product that infringed FieldTurf's '257 and '885 patents. The Federal Circuit held that at the time of SportsFields' bid on the RFP specifications, as initially written, FieldTurf could reasonably have believed that SportsFields was offering a product that infringed FieldTurf's patents. The Federal Circuit further held that enforcement of a patent that is reasonably believed to be infringed is not an act of unfair competition, citing *Mikohn Gaming Corp. v. Acres Gaming, Inc.*, 165 F.3d 891, 897

(Fed. Cir. 1998). The Federal Circuit also noted that it is not unfair competition for a patentee to enforce its patent against a competitor, citing *Concrete Unlimited v. Cementcraft, Inc.*, 776 F.2d 1537, 1539 (Fed. Cir. 1985). Thus, by asserting its patent rights on patents reasonably believed to be infringed, FieldTurf was not committing acts of unfair competition.

A copy of this case is available at *FieldTurf Intr., Inc. et al. v. SprinTurf, Inc. et al. and SportFields LLC and Orion*, 433 F.3d 1366; 77 U.S.P.Q.2D 1468 (Fed. Cir. 2006).

FEDERAL CIRCUIT FINDS "ASSOCIATE" REQUIRES DEVICE SPECIFIC ASSOCIATION FOR PURPOSES OF CLAIM CONSTRUCTION AND DOES NOT READ ON DEVICE INDEPENDENT STYLES

In *MicroStrategy, Inc. v. Business Objects, S.A.*, 429 F.3d 1344, 77 U.S.P.Q.2D 1001 (Fed. Cir 2005), the Federal Circuit affirmed the District Court's granting of summary judgment of non-infringement in favor of Business Objects. The District Court had reached its result after interpreting the claims to require an association of output devices with "device-specific style" on a device-by-device basis. The parties dispute whether, as claimed, the system and method must associate various output devices with the "device-specific style" on a device-by-device basis.

Claim 8 is representative of the disputed language and reads:

8. A method for generating output from an on-line analytical processing system to user output devices comprising the steps of:

processing at least one scheduled service in an on-line analytical processing system according to a schedule established for the service and generating a service output, each service comprising at least one query to be performed by the on-line analytical processing system and at least one user device subscribed to that service;

enabling a plurality of subscribers to subscribe to the scheduled service and enabling the subscriber to specify at least one user output device at which to receive service outputs from the service;

wherein *each user device subscribed to that service is associated with a device-specific style* that designates the format in which that particular type of user device is to output to the service outputs to

a user to maintain the integrity of the service outputs;

determining whether to forward the generated output to one or more user devices based on output conditions specified for each user device subscribed to the service;

creating a device-specific formatted output for each user device subscribed to the service selected to receive the output according to a selection of predefined values specified for each of a plurality of predefined parameters provided by the style specified for the user output device, and

automatically forwarding a device-specific formatted service output to each of the user output devices selected to receive the output for that service;

wherein the determining step comprises determining whether each user device subscribed to the service is an alert subscription or a periodic subscription and selecting the user device if it is a periodic subscription or if an alert condition specified in the alert subscription has been satisfied.

The District Court first construed the term "device-specific style" during a Markman proceeding. During that proceeding, MicroStrategy argued that the term meant "[o]ne or more parameters that designate the format in which a particular type of output device receives service outputs." After a careful review of the claim language and relevant statements in the specification and file wrapper,

the District Court largely adopted MicroStrategy's proposed definition. Thus, the District Court construed "device-specific style" to mean "[t]he format in which a particular type of output device receives and displays service output, consisting of values of a plurality of parameters". *MicroStrategy, Inc. v. Business Objects, S.A.*, Civil Action No. 2:01cv826, slip op. at 27 (E.D.Va. Mar. 18, 2004) (*Claim Construction Order*).

The District Court construed the remaining claim language on summary judgment. Based on the claim language, the District Court "conclude[d] ... that the system or method [must] function on a device-by-device basis." The District Court's interpretation focused on two aspects common to the three independent claims: "(1) *each* user device is *associated* with a device-specific style, and (2) output is created for *each* user device according to the style *specified for the user output device.*" *Id.* (emphasis in original). Thus, the District Court concluded that the claim language requires association of output devices with a device-specific style on an individual, device-by-device basis. *Id.* In other words, the invention requires a particular format and presentation for one device, e.g. mobile phone data, that could differ from the format for a second device, e.g., electronic mail data. The District Court summarized its conclusion as follows:

[T]he patent covers methods and systems that retain associations between individual devices and device styles ... because only in that manner does the patent cover systems that handle multiple device types or customization of subscription features on a subscriber-by-subscriber or device-by-device basis... While it is not necessary that the devices always be different, the system or method described in the claims is structured to facilitate the transmission of the same output to multiple device types.

Microstrategy argues this Markman construction and the context of the invention do not require support from more than one type of output device. In particular, Microstrategy notes that this specification contemplates a system with "one or more" output devices. Thus, Microstrategy reads the claim in the District Court's Markman construction to permit a system with support for just one type of user device.

The Federal Circuit determined, to the contrary, that all three independent claims require that *each user* output device subscribe to a service *associated with a device-specific style*. The term "associate" implies that the system creates a link between user output devices and corresponding "styles." In other words, the system must identify and track in some manner the "style" in which a particular user output device receives and displays output.

This claim language further requires a direct link between each user output device, *individually* and a corresponding "device-specific style".

In addition, the Federal Circuit felt that the claims require a device-specific formatted output according to a style *specified for each* device. The Federal Circuit agreed with the District Court that the words "specified" and "each" reaffirm that these claims require individual, device-by-device association. Moreover, the ultimate creation of a "device-specific" format requires at least two different device-specific styles. Otherwise, the references in the claims to individualized, device-by-device association with styles with user output devices and corresponding creation of another device-specific formatted output would be meaningless.

The specification of the Microstrategy Patent ensures the system automatically forwards output from the services to *one or more subscriber output devices* specified for that service. The Federal Circuit indicated that while this paragraph does state this system may ultimately forward output to only "one" output device, it does not address at all a minimum capacity to support a number of output formats (e.g. only one). Instead, this paragraph is open to an interpretation requiring support from multiple types of subscriber output devices, even though, in practice, all the subscribers may receive the subscription via only one format (e.g. e-mail or in another suitable format). Therefore, this paragraph does not conflict with the claim construction applying support for multiple device types or an association of styles with devices on an individual, device-by-device basis. The Federal Circuit noted that the District Court read the specification correctly in its well-reasoned decision.

The product of Business Object, the Broadcast Agent Publisher (Publisher) Software is only designed to be run with email. In other words, the recipient output device is simply an email address. It was noted by the District Court, and agreed to by the Federal Circuit, the Publisher "does not make any association between the [output devices] and the format. The system does not know what the devices are or the styles that the device needs to properly receive and display output." Rather, "[i]t only supports one style per publication." Thus, Publisher does not provide an association between devices and device-specific styles on a device-by-device basis as required by the Court's claim construction. For at least this reason, the Federal Circuit held that the District Court properly concluded that business objects does not literally infringe the '050 patent.

A copy of the case can be found at *MicroStrategy, Inc. v. Business Objects*, 429 F.3d 1344; 77 U.S.P.Q.2D 1001 (Fed.

Cir 2005) *reh'g denied* 2006 U.S. App. LEXIS 2929 (Fed. Cir. 2006).

SIGNIFICANCE OF CASE FOR APPLICATION DRAFTING

This case highlights a problem commonly faced by the applicant who is attempting to claim an invention which can interact with a single device or multiple devices. In

FEDERAL CIRCUIT FINDS LACK OF ANTECEDENT BASIS DOES NOT AUTOMATICALLY RENDER CLAIM INDEFINITE WITHOUT EVIDENCE OF CONFUSION AS TO CLAIM SCOPE

In *Energizer Holdings, Inc. v. International Trade Commission*, Energizer Holdings brought an action under 19 U.S.C. §1337 to prevent the importation of alkaline battery cells which Energizer asserted infringed claim 1 of Energizer's U.S. Patent No. 5,464,709. Claim 1 recites as follows:

1. An electrochemical cell comprising an alkaline electrolyte, a cathode comprising manganese dioxide as an active cathode component, and an anode gel comprised of zinc as the active anode component, wherein the cell contains less than 50 parts of mercury per million parts by weight of the cell and *said* zinc anode has a gel expansion of less than 25% after being discharged for 161 minutes to 15% depth of discharge at 2.88A.

After the proceedings, the Administrative Law Judge initially found that claim 1 was valid and infringed by the importation. However, the International Trade Commission overruled the Administrative Law Judge and found claim 1 invalid under 35 U.S.C. §112, paragraph 2, for being indefinite to the since claim 1 did not previously recite a zinc anode prior to reciting "said" zinc anode.

On appeal, the Federal Circuit reviewed the International Trade Commission's finding of invalidity *de novo* since the issue is strongly intertwined with claim construction. The Federal Circuit also noted that, while the lack of antecedent basis can cause indefiniteness, invalidity based

such cases, applicants often use language which attempts to correspond each device individually without reciting explicitly a plurality of the devices by reciting terms such as "corresponding," "associated" and "each". However, as found in this case, such language can be used to more narrowly interpret the claim to require a unique correspondence unless the depending claims and specification force a broader interpretation.

upon indefiniteness must be based on the totality of the claim as read in the context of the specification by one skilled in the art. According to the Federal Circuit, "[w]hen the meaning of the claim would reasonably be understood by persons of ordinary skill when read in light of the specification, the claim is not subject to invalidity upon departure from the protocol of 'antecedent basis.'" As such, the Federal Circuit held that the requirement of antecedent basis is "a rule of patent drafting, administered during patent examination," and is not an automatic grounds for invalidity.

Based upon this test, the Federal Circuit that there is no evidence that the scope of the claim was not understood by one of ordinary skill in the art, and that "the Commission nor the Intervenor argued that they did not understand the intended scope because of the absence of an antecedent." Further, the Federal Circuit noted that the Examiner, during prosecution, made several other rejections but also did not make a rejection regarding a lack of antecedent basis, which evidenced that the scope of the claim was understandable and definite. Thus, the Federal Circuit held that the International Trade Commission erred in finding claim 1 invalid under 35 U.S.C. §112, and reversed and remanded the case for further proceedings.

A copy of the case can be found at *Energizer Holdings, Inc. v. International Trade Commission*, 435 F.3d 1366; 77 U.S.P.Q.2D 1625 (Fed. Cir. 2006).

FEDERAL CIRCUIT FINDS PATENT OWNER RETAINS STANDING TO ENFORCE PATENT AFTER EXCLUSIVE LICENSE THAT DOES NOT TRANSFER ALL SUBSTANTIAL OWNERSHIP RIGHTS

In *Aspex Eyewear, Inc. v. Miracle Optics, Inc.*, Contour and Aspex sued Miracle for infringement of U.S. Patent No. 6,109,747 (hereinafter referred to as the '747 patent). The '747 patent was originally assigned by the inventor to Contour. After this assignment, Contour and nonparty Chic Optic, Inc. executed an agreement that gave Chic Optic, Inc. certain rights under the '747 patent, including exclusive right to make, use and sell the product in the United States, the first right to commence legal action against third parties for infringement and virtually unlimited right to sublicense all of its rights to third parties. Under the agreement, Contour retained the right to commence legal action against third parties for infringement if Chic refused to do so, and the agreement contained a clause providing an expiration date for the agreement, a single option to extend, and a second expiration date if the option to extend was exercised. The expiration date was well before the expiration date of the patent. Chic sublicensed all of its rights to the patent to Aspex, Inc. This sublicense was not entered into until after Contour and Aspex had sued Miracle for infringement.

The U.S. District Court for the Central District of California dismissed the suit on the grounds that neither Contour nor

Aspex had standing to sue because neither possessed the "rights of the patentee" at the time that the original complaint was filed.

The Federal Circuit held that Contour had standing to sue because its agreement with Chic did not transfer all substantial rights to the '747 patent. The Court found that the most important factor was the provision limiting the term of the agreement with Chic. Because of this provision, the Court found that Chic was an exclusive licensee and not an assignee. The Court reasoned that if Chic were considered to be the assignee of all rights under the patent, the risk of multiple lawsuits would increase, since Chic could assert the patent against an accused infringer during the term of the agreement and then, when Contour regained its rights after the termination of the agreement, Contour could bring an infringement action against the same infringer. The Court vacated the District Court decision that Contour lacked standing to sue and remanded the case to the District Court to determine whether Chic was a necessary party that should have been joined.

A copy of the case can be found at *Aspex Eyewear, Inc. v. Miracle Optics, Inc.*, 434 F.3d 1336; 77 U.S.P.Q.2D 1456 (Fed. Cir. 2006).

DISTRICT COURT CASE OF NOTE: MEDRAD, INC. V. TYCO HEALTHCARE GROUP LP

FAILURE TO COMPLY WITH TERMS OF REISSUE STATUTE INVALIDATE REISSUE PATENT DURING LITIGATION

In *Medrad, Inc. v. Tyco Healthcare Group LP.*, 391 F.Supp.2d 374 (W.D. Pa 2005), Medrad sued Tyco for infringement of its reissue patent, U.S. Patent No. RE 37,602 (the '602 patent), which relates to patient infusion systems for use with MRI systems. There are two predecessor patents to the '602 patent, the first being U.S. Patent No. 5,494,036 (the '036 patent). Medrad sought to broaden the claims of the '036 patent and filed a reissue declaration. However, in issuing U.S. Patent No. RE 36,648 (the '648 patent), the PTO instead narrowed Medrad's

claims, though two more inventors were added during the prosecution. According to the District Court, "while plaintiff originally sought reissue to correct a purported underclaiming error, and filed a reissue declaration regarding that error, the PTO reissued the patent to correct an overclaiming error and an inventorship error." Medrad had failed to comply with PTO Rules, 37 C.F.R § 1.175 requiring a supplemental reissue declaration regarding the two errors identified and corrected by the PTO but which were not covered by the original declaration.

As a result, Medrad filed a second reissue application to remedy the problems of the '648 patent. The PTO issued the '602 patent, the only divergence from its immediate

predecessor is that during the prosecution of the '602 patent, the missing supplemental reissue declarations were filed. The '602 patent does not differ from the '648 patent in the specifications, drawings, or claims.

Tyco filed a motion for summary judgment of invalidity of the '602 patent, arguing that the reissue was defective under the reissue statute, 35 U.S.C. § 251. This statute provides that a reissue application can only be filed to correct one of four statutorily identified errors: a defect in the specification, a defect in the drawings, or an error in either overclaiming or underclaiming in the patent. Medrad contends that a reissue can correct any number of patent prosecution mistakes, including failure to file the appropriate declarations.

The District Court relied on the case law of the Court of Appeals for the Federal Circuit (CAFC), which does not

establish any precedent of 35 U.S.C. § 251 being used to correct procedural errors made during prosecution. Rather, all of the CAFC cases identified by the court that address this issue begin their analysis by identifying which of the four statutorily identified errors the reissue applicant is trying to correct. That is, the courts have consistently interpreted the reissue statute to require that the mistake sought to be remedied be within the express terms of the statute. Therefore, the District Court granted Tyco's motion for summary judgment of invalidity of the '602 patent since this reissue patent was not based upon an issue for which reissue can be sought under 35 U.S.C. § 251. As such, while reissue is generally available for a multitude of errors, reissue is not available for more procedural defects not within the scope of the reissue statute itself.

FEATURE COMMENTARY: ALTERNATIVE DISPUTE RESOLUTION: CHOOSING BETWEEN ARBITRATION AND MEDIATION

BY GEORGE H. SPENCER

I. INTRODUCTION

It is safe to say that almost all industrial businesses are involved in things that deal with intellectual property, and it is just as safe to say that sooner or later many if not most such businesses will find themselves in a situation where there is a disagreement with another business as to who has what rights in the intellectual property. It would be nice if those problems would go away, but this does not happen in the real world so such disagreements must, in some manner or other, be resolved. So what are the possibilities? The best solution is for the parties involved to sit down, to talk it out, and to arrive at some solution; but this does not always happen, so someone else is called upon to resolve the problem. Who would that be? The first thing that comes to mind is that one has to go to court and let a judge decide. But there are other and often far better ways.

Everyone knows that court litigation, particularly in the United States with its elaborate system of so-called "discovery" which allows each party to dig into the internal affairs and papers of the other party or parties, not only can be but usually is enormously expensive. Moreover, the

proceeding is public, which is something that is often not to the best interest of the parties. So what has developed over the years is what has come to be known as "Alternative Dispute Resolution" which itself can take either of two quite different tracks. One is arbitration and the other is mediation.

II. ARBITRATION

Arbitration is a proceeding where the parties choose the arbitrator. There are several organizations; some national, such as the American Arbitration Association in the United States, and some international, such as the World Intellectual Property Organization which is a branch of the United Nations. Each maintain a list of technically, legally and, one would think, temperamentally qualified persons who could serve as arbitrators, and the parties can select an individual who appears suitable. The parties can decide when and where to conduct the arbitration proceeding and what guide lines the proceeding should follow. The proceeding is not open to the public, but it is a formal one in that the parties may call witnesses and present various evidence to the arbitrator who must observe the usual

rules of conduct required of judges. That is to say, the arbitrator cannot talk to each party individually but must conduct all proceedings with all parties being involved. The decision of the arbitrator, which is binding on the parties, is generally not appealable to the courts as otherwise arbitration would be the start of, rather than in lieu of, court litigation.

A major advantage of arbitration as opposed to court litigation is that the parties do have more control of how the case is to proceed, and the fact that it is a private rather than a public proceeding is often of major significance, particularly if the parties have on-going business relationships in other areas and do not wish to let it be known that they have a disagreement in one particular matter. Moreover, arbitration tends to be significantly less expensive than court litigation, and it can frequently be resolved more quickly than if the matter were before a court.

There are, to be sure, some limitations to an arbitration proceeding. For example, if the matter involves a patent, the decision of the arbitrator has no effect on the validity of the patent, that is to say, the arbitrator cannot declare a patent to be invalid, though the decision can say that, for the purpose of that proceeding the patent is not a valid one. This leaves the patent fully in force for all purposes other than the matter at hand. Therefore, if a party which is accused of infringing a patent wants that patent officially invalidated, the only way to achieve that result would be to pursue litigation in court.

III. MEDIATION

Let us now turn to the other track, namely, mediation, which is a totally different type of proceeding, in that it is the function of the mediator - or, as I prefer to call it, the facilitator - to see if a way can be found for the parties to reach an agreement. The one who is to act in this capacity can generally be found in the same way as an arbitrator, though at times the parties, or more often their attorneys, may be aware of a pool of appropriate individuals. Basically, we are here dealing in a situation where the parties are unable to reach an agreement and where it takes the participation of a neutral individual who might,

after having spoken to each side individually - the concept of "shuttle diplomacy", reminiscent of peace settlement between nations at war, comes to mind! - be able to suggest a way that may not have occurred to either party. The entire proceeding is confidential, and nothing said or done during the mediation can, should no settlement result, later be introduced in the course of a court proceeding.

I find that being a mediator or facilitator is far more challenging, and ultimately far more satisfying, than being an arbitrator, because one must combine the functions of a schoolmaster, a parent, a psychologist and possibly a clergyman to learn what it is that each party really wants, and what each party will settle for. Here we are dealing not just with legal positions - whether a patent is valid or not might be less important than achieving a solution that will result in a settlement that avoids litigation, be it by way of a license, a modification of the product which is said to infringe a patent, or some other alternative. Moreover, even if a mediation proceeding is not totally successful, it can frequently resolve some of the issues at hand, which, should the matter be litigated later, renders such litigation less complex than otherwise. As I have had occasion to point out - in mediation, the parties have a far greater influence on the outcome of the proceeding than if the issues were decided by way of litigation or arbitration, where the parties generally have close to no control over the ultimate outcome.

IV. CONCLUSION

There exists an enormous amount of literature dealing with both arbitration and mediation, and it is obviously not possible to cover all points in a few paragraphs. It is, however, possible to alert businessman and lawyers representing them to the fact that alternative dispute resolution, particularly if it is entered into voluntarily by the parties rather than being forced on them by a court order, can bring with it substantial savings in time, money, and the expenditure of human resources that would otherwise be needed to engage in a long and stressful court battle.

STEIN MCEWEN & BUI IS PLEASED TO WELCOME THE FOLLOWING NEW ADDITIONS

GEORGE H. SPENCER

George H. Spencer joins the firm as of Counsel. Mr. Spencer focuses his practice on all aspects of intellectual property, and with an emphasis on intellectual property Alternative Dispute Resolution and mediation.

Mr. Spencer's experience covers the entire range of patent and trademark prosecution, patent and trademark enforcement, unfair competition, licensing and negotiations in the field of intellectual property, and litigation in the courts and before government agencies, including the International Trade Commission which has the authority to prevent the importation of products that infringe U.S. patents. He is fluent in German and French and has extensive experience in representing domestic clients as well as foreign clients, principally European ones, in the United States. Mr. Spencer has lectured extensively at home and abroad and has served as an arbitrator while on the panel of Arbitrators of the American Arbitration Association. He is on the panel of Arbitrators and Mediators of the Arbitration and Mediation Center of the World Intellectual Property Organization, an agency of the United Nations, and is a Master-of-the-Bench of the Prettyman-Leventhal American Inn of Court. Mr. Spencer has also served as a judge in numerous moot court competitions administered by law schools and by federally sponsored organizations.

JOHN C. BROSKY

John C. Brosky, of Counsel, focuses on an intellectual property practice that encompasses intellectual property litigation, preparing and prosecuting applications in a wide variety of electronic, electrical and mechanical arts, infringement and validity studies, counseling of management and inventors, and agreements and legal opinions, of which he has more than 20 years of experience. Mr. Brosky has been an attorney for over 29 years, with 24 years in the practice of intellectual property law. Mr. Brosky began his legal career in 1977 as an Assistant Staff Judge Advocate in the United States Air Force, with his primary area of

practice being government contract law. Mr. Brosky's intellectual property law practice began in 1980 as an attorney in the patent division of the legal department of the Aluminum Company of America, ALCOA, continuing in private practice for 18 years.

RALPH T WEBB

Ralph T Webb, Associate, has been involved in the patent field since 1988, primarily preparing and prosecuting applications in a wide range of technical areas, including pharmaceuticals, small molecules, organic and inorganic polymers and coatings, food products, mechanical devices, alloy and ceramic compositions, polynucleotide and protein compositions, electrochemical compositions, immunological devices and methods, superconducting materials, piezoelectric devices, magnetic devices, optical devices, chemical analytical devices and chemical sensors, drug delivery compositions and methods, drilling fluids, semiconductor fabrication methods, tantalum and niobium compositions and sputter targets, carbon black compositions, liquid crystal displays, plasma display panels, batteries and methods of rubber, paper and leather processing. In addition, he has prepared patent validity and infringement opinions. Mr. Webb was a patent attorney for the U.S. Naval Research Laboratory (NRL), involved with preparation and prosecution of patent applications as well as providing advice relating to patent licenses and research and development agreements. He was the recipient of the NRL Edison Patent Award in 2000 and 2002.

CHARLES A. GREENE

Charles A. Greene, Patent Agent, received a Bachelor of Science degree in Physics from Towson University in 1988 and M.S. and Ph.D. degrees in Materials Engineering from the University of Maryland in College Park in 1992 and 1994, respectively. Dr. Greene anticipates receiving his J.D. from the George Washington University Law School in 2006. Dr. Greene is registered to practice before the U.S. Patent and Trademark Office.

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Stein, McEwen & Bui, LLP is a full service intellectual property law firm with an emphasis on intellectual property creation and maximization. With a diverse clientele, including large multinational corporations, as well as small to midsize domestic and international companies, the attorneys of Stein, McEwen & Bui, LLP have worked with and counseled clients on the use of intellectual property as a tool for maximizing the protection of their research and development efforts.

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