



FEDERAL CIRCUIT FINDS INEQUITABLE CONDUCT ON MULTIPLE GROUNDS

DECISION HIGHLIGHTS MULTIPLE POTENTIAL GROUNDS FOR FINDING INEQUITABLE CONDUCT DUE TO FALSELY CLAIMING PRIORITY, FOR FAILING TO REPORT LITIGATION IN RELATED CASES, AND FOR FAILING TO SUBMIT RELEVANT PRIOR ART

In Nilssen, et al. v. Osram Sylvania, Inc., et al., 504 F.3d 1223; 84 USPQ2d 1811 (Fed. Cir. 2007), Ole K. Nilssen and the Geo Foundation, Ltd. (collectively, "appellants") appealed from the judgment of the United States District Court for the Northern District of Illinois in favor of Osram Sylvania, Inc. and Osram Sylvania Products, Inc. (collectively, "Osram") holding fifteen patents issued to Nilssen unenforceable for inequitable conduct. The fifteen patents include U.S. Patents 4,857,806 ("the '806 patent"); 5,164,637 ("the '637 patent"); 5,233,270 ("the '270 patent"); 5,343,123 ("the '123 patent"); 5,402,043 ("the '043 patent"); 5,416,386 ("the '386 patent"); 5,432,409 ("the '409 patent"); 5,479,074 ("the '074 patent"); 5,481,160 ("the '160 patent"); 5,510,680 ("the '680 patent"); 5,510,681 ("the '681 patent"); 4,677,345 ("the '345 patent"); 5,047,690 ("the '690 patent"); 5,189,342 ("the '342 patent"); and 5,341,067 ("the '067 patent"). The fifteen patents are collectively referred to as the Nilssen patents. Some of the fifteen patents relate to compact fluorescent light bulbs, and others relate to ballasts for gas discharge lamps such as fluorescent light bulbs.

As background, in 1983, Nilssen began prosecuting his own patent applications *pro se*. During prosecution, Nilssen cited the Manual of Patent Examining Procedure ("MPEP"), patent statutes and regulations,

and case law, and was thus somewhat knowledgeable of the applicable rules and regulations. During prosecution reexamination of the '345 patent and the application that led to the '690 patent, Nilssen submitted two affidavits from Dale Fiene in support of the patentability of claims rejected. However, Nilssen did not disclose that there was a financial relationship between Nilssen and Fiene, and the Examiner never requested this information.

Prior to June 2000, Nilssen licensed at least some of the patents in suit to Philips. Specifically, Nilssen entered into a Compact Fluorescent Lamp Agreement (the "CFLA") with Philips, effective December 7, 1995. The CFLA provided as follows (emphasis added):

Nilssen expects to offer CFL manufacturers a preferential running royalty rate under his CFL patents for a limited time period starting the first quarter of 1996. Nilssen and Philips agree that Nilssen will offer and Philips will take a standard license from Nilssen under his CFL patents at the preferential rate provided that no royalties or payments will accrue under such license until Nilssen has licensed one CFL competitor having at least 10% Dollar share of the U.S. market for CFL's.

Nilssen also entered into a Patent License Agreement ("PLA") with Philips, effective January 1, 1996. The PLA and the CFLA covered the '806, '637, '270, '123, '680, and '681 patents. Between the signing of the CFLA and the PLA, Nilssen paid various fees related to the '806, '637, '270, '123, '680, and '681 patents claiming a small entity status.

FEDERAL CIRCUIT FINDS INEQUITABLE CONDUCT ON MULTIPLE GROUNDS	1
FEDERAL CIRCUIT DENIES FOREIGN PRIORITY BENEFIT	4
FEDERAL CIRCUIT REJECTS PATENT OFFICE'S INTERPRETATION TO BE UNREASONABLE AND NOT CREDITABLE	5
FEDERAL CIRCUIT FINDS RESERVATION OF EXCLUSIVE RIGHT DOES NOT CONFER RIGHT TO SUE WITHOUT PATENT OWNER	6
FEDERAL CIRCUIT FINDS NO HEIGHTENED DUTY TO CONDUCT A PREFILING INVESTIGATION FOR PATENTS PURCHASED "AS IS"	7
FEDERAL CIRCUIT CLARIFIES FINDS CLAIMS TO RANGES DO NOT PRECLUDE DOCTRINE OF EQUIVALENTS	8
FEDERAL CIRCUIT FINDS IMPROPER INCORPORATION BY REFERENCE	10
FEDERAL CIRCUIT FINDS PROSECUTION HISTORY DOES NOT LIMIT CLAIM SCOPE	12
FEDERAL CIRCUIT FINDS PRIORITY DOCUMENTS ARE NOT NEW EVIDENCE	13
SPECIAL OFFER ON UPCOMING TREATISE	14
FEATURE COMMENT: STATUS OF NEW RULES	15

Nilssen established the Geo Foundation as a not-for-profit charitable organization in the Cayman Islands in 1998 to license the Nilssen patents. After June 2000, the license between Nilssen and Philips was canceled or revoked, and Geo began sublicensing those patents to Philips. Geo still claimed small entity status when making various payments for the patents while licensed to Philips.

In 2000, the appellants sued Osram alleging that electronic ballasts manufactured and sold by Osram infringed eleven of Nilssen's patents. Osram asserted the defense that Nilssen had engaged in inequitable conduct in the procurement of the patents in suit. The District Court agreed with Osram and held that Nilssen had engaged in inequitable conduct for a number of reasons, and invalidated each of the patents in suit. Specifically, the District Court determined that the Nilssen patents were unenforceable on 5 different grounds.

1. Nilssen's submission of two affidavits from Dale Fiene, one during re-examination of the '345 patent and one during examination of the application that led to the '690 patent, in support of the patentability of the claims constituted inequitable conduct because the affidavits failed to disclose Fiene's personal and professional association with Nilssen and Fiene's financial interest in Nilssen's patents.
2. Nilssen engaged inequitable conduct by failing to pay large maintenance fees based on the Compact Fluorescent Lamp Agreement (the "CFLA") which Nilssen and Philips had entered into and which meant that Nilssen agreed to pay the maintenance fees for Philips, a large entity.
3. Nilssen intentionally misclaimed an effective priority date of March 20, 1978, in the '637, '043, '386, '409, '160, '680, and '681 patents to potentially avoid prior art.
4. The '123, '043, '386, '409, '074, '160, '680, and '681 patents were unenforceable for inequitable conduct because Nilssen failed to report to the USPTO the existence of related litigation in which Motorola argued that each of these nine patents were invalid for anticipation, obviousness, and failure to observe the requirements of 35 U.S.C. §112.

5. Nilssen had engaged in inequitable conduct in the prosecution of the '342 patent and the '067 patent as well as the '806, '043, and '681 patents by failing to identify to the PTO relevant prior art of which he had knowledge.

On appeal, the Federal Circuit upheld the district court's decision since the District Court did not abuse its discretion in finding that Nilssen committed inequitable conduct.

On the first ground, the Federal Circuit found that Nilssen committed inequitable conduct by submitting affidavits by Fiene in support of patentability without informing the examiner of the affiant's relationship to Nilssen. Specifically, the Federal Circuit cited to Ferring B.V. v. Barr Labs., Inc., 437 F.3d 1181, 1187-88 (Fed. Cir. 2006) for the proposition that it is material to disclose the relationship between a Declarant and the applicant since this relationship can go to the credibility of the declaration itself. Even though the Examiner did not raise a question as to credibility, by not clarifying the relationship between Fiene and Nilssen, Nilssen had withheld this material information and this withholding was sufficient to allow the District Court to find the resulting patents unenforceable due to inequitable conduct in the '345 and '690 patents. Further, since the '345 and '690 patents were part of a larger family of applications, this inequitable conduct was found to infect the '067, and '342 patents since inequitable conduct with respect to one or more patents in a family can infect related applications, see, e.g., Consolidated Aluminum Corp. v. Foseco Int'l Ltd., 910 F.2d 804 (Fed. Cir. 1990). Moreover, while the '345, '690, '067, and '342 patents were withdrawn from the suit shortly before trial, the Federal Circuit found that the District Court retained jurisdiction to find the '345, '690, '067, and '342 patents unenforceable.

On the second ground, the Federal Circuit found that Nilssen committed inequitable conduct by claiming small entity status while paying various issue and maintenance fees when Nilssen should have been paying large entity maintenance fees due to the licensing agreement with Philips, a large entity. As a defense, Nilssen had argued that the patent license itself was not in effect at the time of payment. Instead, the only agreement then in effect was an agreement (the CFLA) to sign the license. The Federal Circuit upheld the district court's rejection of this defense. The Federal Circuit noted the clear import of the United States Patent and Trademark regulations benefiting small entities under 37 C.F.R. §

1.9(c) is to "ensure that inventors currently receiving a revenue stream from or reasonably expected to receive a revenue stream from an entity that is not itself entitled to pay small entity fees should not be able to claim that right." The District Court properly interpreted the CFLA as an agreement or intent to license sufficient to be a licensing agreement with Philips, a large entity. Moreover, for others of the patents directly licensed from Geo, the District Court correctly noted that a non-profit entity loses its small entity status for a particular patent when the non-profit licenses to a large entity, such as Philips. While the incorrect claiming of small entity status does not automatically qualify as grounds for inequitable conduct, this incorrect claiming can be grounds if there are sufficient findings of intent to mislead. Ulead Sys., Inc. v. Lex Computer & Mgmt. Corp., 351 F.3d 1139, 1146 (Fed. Cir. 2003). The Federal Circuit found that the District Court did have a basis for finding the requisite intent, based in part on Nilssen's knowledge of the patent rules and regulations, and was entitled to discount the credibility of Nilssen's explanations as to why the incorrect status was claimed. Therefore, the Federal Circuit upheld the district court's findings which rendered the Nilssen patents unenforceable due to Nilssen's intentionally claiming entitlement to small entity treatment for the Nilssen patents.

On the third ground, the Federal Circuit found that Nilssen committed inequitable conduct by intentionally misclaiming an effective priority date to avoid potential prior art. While an active misrepresentation made during prosecution in order to avoid prior art is no doubt "highly material," (see Li Second Family Ltd. P'shp v. Toshiba Corp., 231 F.3d 1373, 1380 (Fed. Cir. 2000)), the Federal Circuit found that a misrepresentation that would not have immediately affected patentability is still material, see Digital Control, Inc. v. Charles Mach. Works, 437 F.3d 1309, 1318 (Fed. Cir. 2006). Moreover, the Federal Circuit held that "[a] claim for priority is inherently material to patentability because a priority date may determine validity, whether an issue arises in prosecution or later in court challenges to validity." As such, the Federal Circuit found that the misclaiming could be grounds for inequitable conduct and also affirmed the District Court on the third ground.

On the fourth ground, the Federal Circuit found that Nilssen committed inequitable conduct by failing to disclose the Motorola litigation. Nilssen filed a lawsuit against Motorola alleging infringement of six of his patents. As a defense, Motorola claimed the patents were invalid under 35 U.S.C. §§102, 103, and 112. The patents in issue involved common subject matter with applications then pending, and which resulted in the

'123, '043, '386, '409, '074, '160, '680, and '681 patents. The District Court found that Nilssen's failure to inform the Examiner of the lawsuit was an intent to mislead and discounted Nilssen's statement that he was unaware of the requirement. In affirming the district court, the Federal Circuit found that MPEP §2001.06(c) clearly requires identification of the existence of the litigation, and that the litigation itself is material information that an examiner needs to have. The identification is important because it signals the examiner that other material information relevant to patentability may become available through the litigation proceedings. Since Nilssen was aware of the duty to disclose and MPEP 2001.06(c) "was adjacent in the MPEP to provisions with which Nilssen was admittedly familiar", the Federal Circuit found that the failure to disclose the Motorola litigation was grounds for inequitable conduct and rendered the resulting patents unenforceable.

On the fifth ground, Nilssen committed inequitable conduct by failing to disclose prior art U.S. Patent 4,266,134, U.S. Patent 4,251,752, U.S. Patent 4,045,711, U.S. Patent 4,461,980, and U.S. Patent 4,053,813. Each of these patents was repeatedly cited to Nilssen by Examiners during the prosecution of various ones of his patents, and therefore were clearly material. As such, the Federal Circuit also upheld the district court's finding of inequitable conduct on the fifth ground for failure to cite prior art cited in related applications.

Lastly, the Federal Circuit cautioned against an overly broad interpretation of each ground of inequitable conduct. Specifically, the Federal Circuit issued a "few closing comments" to clarify that "[e]ach of the issues on which the District Court found inequitable conduct generated defenses by Nilssen that were not per se unreasonable when considered in isolation." The Federal Circuit specifically noted that the CFLA interpretation was "not beyond an interpretation contrary to what the District Court adopted," that "Nilssen did pay some fees that were large entity fees," the failure to "cite the Motorola litigation to the PTO may have been an oversight, as perhaps failure to cite prior art might have been," and that "[p]erhaps Nilssen did not expressly assert an unjustified earlier priority date to obviate prior art." Instead, the Federal Circuit stated that their upholding of the district court's decision was due to the district court's proper review of "a collection of such problems," as well as their making specific "credibility findings" and reliance on the record and testimony. Thus, the Federal Circuit stated that "[m]istakes do happen, but inadvertence can carry an applicant only so far" and that to the extent that Mr.

Nilssen believed he has gained sufficient knowledge of the patenting process to no longer need professional patent help, "[t]he result of this case, regrettably, proves that he was wrong."

SIGNIFICANCE FOR PATENT APPLICANTS AND OWNERS

Nilssen highlights the numerous ways in which inequitable conduct can be found during prosecution. While also a cautionary note against attempting to prosecute patent applications *pro se*, Nilssen provides a roadmap of the major ways in which applicant mistakes can provide both individual grounds for inequitable conduct, as well as a cumulative ground based upon numerous lesser offenses. Applicants are generally

familiar with a finding of inequitable conduct due to a failure to provide material publications to the Examiner as part of an information disclosure statement, but many applicants are unaware of problems that arise due to a failure to report litigation, misclaiming small entity status when licensing a patent portfolio, and misclaiming priority statuses. Moreover, while the Federal Circuit made a special statement that each ground found by the District Court might not normally be sufficient for inequitable conduct, the Federal Circuit's justification for upholding the finding of inequitable conduct due to the multitude of such problems is perhaps more troubling as most prosecution will have a multitude of small problems which collectively might meet the Federal Circuit's standard.

FEDERAL CIRCUIT DENIES FOREIGN PRIORITY BENEFIT DUE TO DIFFERENCE IN APPLICANT

In Boston Scientific Scimed, Inc. v. Medtronic Vascular, Inc. and Eric Martin, 83 USPO2d 1669 (Fed. Cir. 2007), Boston Scientific Scimed ("Scimed") appeals a district court grant of summary judgment denying Scimed the priority benefit of an earlier-filed European patent application. In particular, Scimed points to the European application for the subject matter at issue in an interference proceeding between Scimed, Medtronic Vascular, Inc. ("Medtronic"), and Eric C. Martin. The issue on appeal is whether an applicant for U.S. patent is permitted "to benefit from the priority of a foreign application previously filed by an entity that was not acting on behalf of the U.S. applicant at the time of filing" of the foreign application. The Federal Circuit holds that the applicant is not permitted to benefit from the priority of the foreign application where there is a difference in applicants.

Scimed, Medtronic, and Martin are each assignees of different U.S. patent applications covering the same invention ("An apparatus for reinforcing a bifurcated lumen..."). The Scimed patent application was filed at the U.S. Patent and Trademark Office on June 5, 1995 by inventors Andrew Cragg and Michael Drake (collectively "Cragg"). The Medtronic patent application was also filed at the U.S. Patent and Trademark Office on June 5, 1995 by inventors Thomas Fogarty, Timothy Ryan, and Kirsten Freislinger (collectively "Fogarty"). Martin's patent resulted from an application filed on August 19, 1994. The Board of Patent Appeals and Interferences initially gave Cragg the benefit of the filing date (February 9, 1994) of a European patent application filed by MinTec SARL ("MinTec"), a French company. At the time that the

European application was filed, "no legal relationship existed between MinTec and Cragg, nor was MinTec acting on behalf of Cragg." Meanwhile, Fogarty was accorded the benefit of a patent application filed on June 8, 1994.

After a motion was filed attacking the priority benefit granted to Cragg, the Board recanted its initial finding and ruled that because neither Cragg nor Drake had assigned their rights to MinTec until after MinTec had filed its European application, Cragg was not entitled to priority benefit under 35 U.S.C. 119. The district court upheld the Board's ruling, and the Federal Circuit reviewed the district court's grant of summary judgment. 35 U.S.C. 119 reads:

"An application for patent for an invention filed in this country by any person who has, or whose legal representatives or assigns have, previously regularly filed an application for a patent for the same invention in a foreign country which affords similar privileges in the case of applications filed in the United States or to citizens of the United States, or in a WTO member country, shall have the same effect as the same application would have if filed in this country on the date on which the application for patent for the same invention was first filed in such foreign country..."

The Federal Circuit was bound by a previous decision, Vogel v. Jones, 486 F.2d 1068 (CCPA 1973), which held that "119 gives rise to a right to priority that is personal to the United States applicant." Thus, according to the Federal Circuit, the applicant for a U.S. patent may

benefit from the priority of a foreign application only if the foreign application was filed by applicant or on the applicant's behalf.

Scimed argued that Vogel does not require the foreign applicant to have been acting on behalf of the U.S. applicant at the time of filing of the foreign application. That is, Scimed asserts that whenever the two inventions are the same, irrespective of the identity of the applicant(s) of the foreign application, the U.S. applicant is permitted to benefit from the earlier foreign filing date.

The Federal Circuit disagreed, holding that even the presence of a common assignee is not sufficient to

establish a right of priority. That is, an application made by an assignee in a foreign country on behalf of a first inventor is irrelevant to a second inventor's right of priority for an application made by the same assignee in the U.S. on behalf of the second inventor. The Federal Circuit therefore construes 119(a) to require "that a nexus exist between the inventor and the foreign application at the time the foreign application was filed." Accordingly, the Federal Circuit explicitly holds that a foreign application may only form the basis for priority of a U.S. application if the foreign application was filed by either the U.S. applicant or by someone acting on behalf of the U.S. applicant at the time the foreign application was filed.

FEDERAL CIRCUIT REJECTS PATENT OFFICE'S INTERPRETATION OF FLEXIBLE TO INCLUDE RIGID TO BE UNREASONABLE AND NOT CREDITABLE

In In re Buszard, 84 USPQ2d 1749 (Fed. Cir. 2007), applicants' invention is directed to a flexible polyurethane foam used in a flame retardant composition. The Examiner rejected the claims as anticipated in view of Eling et al., which describes a rigid foam that is made flexible through crushing. The Board of Patent Appeals and Interference (BPAI) affirmed the Examiner, and the applicants appealed the BPAI decision on the grounds that the Examiner's interpretation of the term "flexible" cannot encompass "rigid."

In reviewing the BPAI decision, the Federal Circuit held that, under the Administrative Procedure Act, 5 U.S.C. '706, all decisions from the BPAI are reviewed to determine if the Board's decision is supported by substantial evidence. Dickinson v. Zurko, 527 U.S. 150, 165 (1999). Moreover, for purposes of anticipation, the record must show that all limitations in the claim are met by a single reference where the claims are given their broadest reasonable interpretation.

In reviewing the record and the claims, the Federal Circuit noted that both parties agree that "a person of ordinary skill in the field of polyurethane foams knows that a flexible foam and a rigid foam have different chemical structures and are produced from different chemical reactants." However, on appeal, the Solicitor argued that such a distinction is not relevant since, "when a rigid foam is mechanically crushed, the chemical bonds are broken and the product is the same as the flexible product of a flexible foam reaction mixture." However, the Federal Circuit was unable to find, in the record, where this rejection was previously

discussed or what evidentiary support there was for this interpretation. As such, the Federal Circuit held that the late presentation of this ground of rejection, which is not supported by the record, "was proposed without support or citation, and without opportunity for Buszard to refute it" and was "not sufficiently creditable to warrant further consideration."

Moreover, the Federal Circuit also found that such an interpretation was contrary to the broadest reasonable interpretation of the claims in light of the specification. According to the Federal Circuit, "[n]o matter how broadly 'flexible foam reaction mixture' is construed, it is not a rigid foam reaction mixture." Therefore, the Federal Circuit found the BPAI's equating of rigid and flexible to be not supported by the record, and reversed the Board's decision on those grounds.

SIGNIFICANCE FOR PATENT APPLICANTS

While the Examiner is generally required to take the broadest reasonable interpretation, it is important to ensure that the Examiner's interpretation is truly reasonable. Moreover, such interpretations must be supported by the evidence of record, as the Federal Circuit emphasized in In re Buszard. As such, it is possible to challenge the Examiner's interpretation using the Administrative Procedures Act as in In re Buszard, or by providing counter evidence as to the true meaning to one of ordinary skill in the art. In either case, an attack on the reasonableness needs to focus on what evidence exists in the record which supports the applicant's definition in order to prevail against an Examiner's overly broad interpretation.

FEDERAL CIRCUIT FINDS RESERVATION OF EXCLUSIVE RIGHT TO ENFORCE FIELD OF USE IN PARTICULAR AREA DOES NOT CONFER RIGHT TO SUE WITHOUT PATENT OWNER

In Int'l Gamco, Inc. v. Multimedia Games, Inc., 504 F3d 1273; 84 USPQ2d 2017 (Fed. Cir. 2007), International Gamco, Inc. ("Gamco") was the owner of U.S. Patent No. 5,324,035 (the '035 patent) which relates to a gaming system network. Gamco assigned the '035 patent to International Game Technology ("IGT"), but reserved sublicensing and enforcement rights in the New York State Lottery Market. In a first attempt to enforce this provision, Gamco sued Multimedia, who runs the New York State Lottery for New York, for infringement of the '035 patent. The District Court for the Northern District of California dismissed the suit for lack of subject matter jurisdiction since Gamco's reservation was not an exclusive license permitting Gamco to sue without the patent owner, IGT. In response, Gamco and IGT executed a second license in which IGT affirmatively assigned Gamco "the exclusive right and license, within the Territory, to make, use, sell, and offer to sell, with the right to sublicense others to make, use, sell, and offer to sell game system networks covered by the '035 Patent," where the term Territory was limited to "the lawful operation of lottery games authorized by the New York State Lottery in the state of New York." Gamco then sued Multimedia in District Court for infringement of the 035 patent. When Multimedia again moved to dismiss for lack of subject matter jurisdiction, the District Court denied the motion since the exclusive license conferred all substantive rights in a blended enterprise license which conferred exclusivity for a particular field of use within a particular geographic area. However, the District Court recognized that this was a case of first impression, and therefore granted certiorari to the Federal Circuit on the following issue:

whether an exclusive patent license, with exclusive right of enforcement, restricted to the activities of a specific enterprise within a specific geographical territory, is sufficient to confer standing on the exclusive licensee to bring a patent infringement action in its own name only" under 28 U.S.C. § 1292(b).

On appeal, the Federal Circuit reversed the District Court. Specifically, the Federal Circuit relied upon

Waterman v. Mackenzie, 138 U.S. 252, 255 (1891) as supporting the position that exclusive licenses can be granted for territories with a right of enforcement not requiring the patent owner to join the suit. Conversely, the Federal Circuit also relied upon Pope Manufacturing Co. v. Jeffery Manufacturing Co., 144 U.S. 248 (1892) for the proposition that exclusive licensees limited to a particular field of use or claim cannot bring suit without the patent owner since there is an increased risk of a multiplicity of suits within a common territory for a single defendant. As such, the Federal Circuit held that exclusive enterprise licenses, even within a geographic limitation, require the patent owner to join in the suit in order to reduce the risk of the multiplicity of suits due to several parties having potentially different causes of action in a same geographic area for a same set of facts. Since the '035 patent could be infringed where a single infringing game system at an NYSL-authorized site also offers other games not within the Gamco's exclusive field of use, "the single infringing act of offering NYSL games might subject the infringer to suit by Gamco for the lottery games, and separately by IGT or some other game-specific licensee for the other games." As such, the Federal Circuit held that Gamco's exclusive enterprise license was insufficient to confer sufficient substantive rights to bring suit without the patent owner, IGT.

SIGNIFICANCE FOR PATENT OWNERS

Int'l Gamco highlights the difficulty in drafting exclusive licenses when the licensee requires a right to sue without the patent owner. This difficulty is exacerbated when the license itself is for only portions of the patent right, leaving the patent owner with remaining rights which can be separately licensed and can result in accused infringers facing a multitude of suits from a common patent. Where the patent owner does require such a right, Int'l Gamco highlights the need to grant an exclusive license within a geographic area without any particular limitation on who can be sued and on what grounds.

FEDERAL CIRCUIT FINDS NO HEIGHTENED DUTY TO CONDUCT A PREFILING INVESTIGATION FOR PATENTS PURCHASED "AS IS"

In Digeo v. Audible, Civ. Case No. 07-1133 (Fed. Cir. Nov. 1, 2007), Digeo purchased U.S. Patent No. 5,734,823 ("823 patent") "as is" from the IPDN Corporation during a bankruptcy sale. On March 3, 2005 Digeo sued Audible for infringement of the '823 patent. During prosecution, one of the four inventors of the '823 patent, Edward Chang, had been represented as being dead for purposes of filing a power of attorney and assignment for the '823 patent. Specifically, on July 25, 1996, Oliver Chang, Edward's brother, supposedly filed a power of attorney on his behalf with the USPTO, signing as an executor for his brother Edward to Microtome (Microtome was the successor in interest to the IPDN Corporation). The same day, a separate power of attorney for the remaining three inventors including Oliver Chang was signed. Oliver's supposed power of attorney on behalf of Edward was the only documentation in the file history that substantiated Edward's death. The '823 patent was then assigned to Microtome, and Diego purchased patent '823 "as is" from Microtome's successor in interest, IPDN Corporation, in a bankruptcy estate sale on August 12, 2002.

During discovery, Audible discovered that Edward Chang was actually alive. Moreover, during the deposition of his brother, Oliver Chang, Audible discovered that the documents filed with the USPTO purporting to Edward's death were falsified. Audible secured a retroactive license from Edward Chang for the '823 patent. Audible then moved for summary judgment on May 25, 2006 on the grounds that Digeo lacked standing because it did not possess complete ownership of the '823 patent and since Audible had a license to the '823 patent. Since the signatures were not authentic, legal title was not conveyed to Digeo, the District Court granted partial summary judgment to Audible.

Audible also moved for attorneys fees under 35 U.S.C. § 285 alleging that Digeo knew or should have known about the forged documents. 35 U.S.C. § 285 gives discretion to award, in "exceptional cases", "reasonable attorney fees to the prevailing party." The District Court denied Audible's claim for attorneys fees under 35 U.S.C. § 285 because the case was not exceptional. The District Court also denied Audible's request for an extension of discovery to further investigate its claim under 35 U.S.C. § 285, finding that Audible's initial evidence did not substantiate further investigation.

On appeal, the Federal Circuit found that a finding of whether a case is exceptional under 35 U.S.C. § 285 requires that the court first determine whether there is clear and convincing evidence that a case is exceptional, and secondly, whether an award of attorney fees is justified. The finding as to whether there is sufficient evidence that a case is exceptional is a factual determination reviewed for clear error. The finding of whether an award of attorney fees is justified is, in contrast, a determination reviewed for an abuse of discretion.

In order to satisfy the first prong, the clear and convincing evidence must show that the plaintiff filed a baseless or frivolous suit against the accused infringer. The District Court found (1) the lack of an assignment in the file history is immaterial because there is no evidence suggesting one should expect to find an assignment in the file history; (2) just before the '823 patent issued, Microtome indicated that it was the sole assignee; (3) the later-recorded assignments, bearing dates prior to the issuance of the 823 patent, suggest sloppy paperwork but not a defective title; and (4) the '823 patent, recorded assignments, and file history are consistent with a finding that Digeo purchased a patent that appeared to have been assigned to Microtome. In response to Audible's argument that the defect in title would have been discovered through ordinary diligence, the District Court found that no one else (including the prior litigants that had settled their suit with Digeo) discovered the defect prior to Audible, that it took Audible at least a year of litigation to discover the problem, and that Audible offered no evidence as to what steps it took to discover the defect.

On appeal, Audible argued that, consistent with the rule applied in Rule 11 sanctions as set forth in View Engineering, Inc. v. Robotic Vision Systems, Inc., 208 F.3d 981 (Fed. Cir. 2000), the burden of proof to show that an adequate prefiling investigation was conducted should be on the nonmoving party. The Federal Circuit rejected Audible's argument since a Rule 11 violation, as in View Engineering, is different from a claim under 35 U.S.C. §285. The Federal Circuit cited Carroll Touch, Inc. v. Electro Mech. Sys., Inc., 15 F.3d 1573, 1584 (Fed. Cir. 1993) and Reactive Metals & Alloys Corp. v. ESM, Inc., 769 F.2d 1578, 1582 (Fed. Cir. 1985) for the proposition that, unlike Rule 11 sanctions, sanctions under 35 U.S.C. §285 do not shift the burden of proof.

Therefore, for purposes of 35 U.S.C. §285, the burden of proof remains with the moving party to show by clear and convincing evidence that the case is exceptional. While the Federal Circuit noted that Rule 11 violations can serve as a basis for finding a case exceptional under 35 U.S.C. §285 and would have shifted the burden to the Digeo to show that an adequate prefiling investigation was performed, since there was no motion for sanctions under Rule 11, the burden of proof for sanctions under 35 U.S.C. §285 remained with the moving party (i.e., Audible).

As an alternative, Audible argued that since the patent was purchased "as is," there should be a heightened standard of pre-suit investigation. The Federal Circuit also rejected this argument and expressly declined to require a heightened investigation into the legal title of patents purchased "as-is." To the extent that Digeo was negligent in its investigation, negligent conduct does not suffice to establish that a case is exceptional for purposes of 35 U.S.C. §285. Instead, the standard for finding a case exceptional is one of wrongful intent or gross negligence. Since Audible provided no evidence of even negligence, and did not provide evidence that Digeo knew or should have known of the defective title, the Federal Circuit upheld the District Court's finding that the case was not exceptional.

Lastly, the Federal Circuit found that the District Court did not abuse its discretion in denying Audible's motion for additional discovery to support its claims under 35 U.S.C. §285. Under 9th Circuit law, in order to show an abuse of discretion for denying additional discovery, there must be "'the clearest showing' that the denial will result in 'actual and substantial prejudice to the complaining litigant' (e.g., "a reasonable probability that the outcome would have been different had

discovery been allowed"). Laub v. U.S. Dep't of Interior, 342 F.3d 1080, 1093 (9th Cir. 2003) (quoting Hallett v. Morgan, 287 F.3d 1193, 1212 (9th Cir. 2002) and citing Martel v. County of Los Angeles, 56 F.3d 993, 995 (9th Cir. 1995))." The Federal Circuit found that the evidence offered by Audible regarding Digeo's conduct to be unsubstantiated speculation of pre-trial misconduct. Further, after discovering Edward Chang was still alive, Audible waited almost six months to depose anyone regarding Digeo's pre-suit conduct. In order for additional discovery to be granted, the Federal Circuit required that the evidence offered show that a party conducted an inadequate pre-suit investigation and that the party's initial investigation must be appropriately prompt. The Federal Circuit concluded that, since Audible's evidence was unsubstantiated speculation and since Audible was not diligent in pursuing the theory after discovery of possible misconduct, it was not an abuse of discretion on the part of the trial court in denying Audible's motion for additional discovery.

SIGNIFICANCE TO PATENT OWNERS

While the Federal Circuit did not impose an affirmative duty to investigate "as is" purchases of intellectual property and patents in particular, the Digeo case emphasizes the importance of performing due diligence both prior to purchasing and enforcing rights acquired from third parties. As noted by the Federal Circuit, the same fact pattern raised under a motion for Rule 11 sanctions could more easily have resulted in sanctions since the patent owner then needs to provide affirmative evidence of the reasonableness of the pre-filing investigation.

FEDERAL CIRCUIT CLARIFIES WHEN A NOTICE LETTER ALLOWS PAST DAMAGES AND FINDS CLAIMS TO RANGES DO NOT PRECLUDE APPLICATION OF THE DOCTRINE OF EQUIVALENTS

In U.S. Philips Corporation v. Iwasaki Electric Company Ltd., Civ. Case No. 2007-1117 (Fed. Cir. November 2, 2007), U.S. Philips owns U.S. Patent No. 5,109,181 ("the '181 patent"), which is directed to high-pressure mercury vapor discharge lamps filled with a gaseous mixture in which "at least one of the halogens Cl, Br or I is present in a quantity between 10^{-6} and 10^{-4} $\mu\text{mol}/\text{mm}^3$." On June 7, 2000, Mr. Rolfes, an employee of Philips International B.V., sent Iwasaki a letter giving Iwasaki notice of potential infringement of "at least four

of our patents and patent applications" by Iwasaki's product. The letter gave Iwasaki notice that Rolfes represented Philips International B.V. as "Patent Portfolio Manager." The '181 patent was assigned to U.S. Philips Corporation, an IP holding company on behalf of the overall Philips organization. U.S. Philips filed suit against Iwasaki for infringement of claim 1 of the '181 Patent, which is as follows:

A high-pressure mercury vapor discharge lamp comprising . . . a filling essentially consisting of mercury, a rare gas, and a halogen for maintaining a tungsten transport cycle during lamp operation, characterized in that . . . at least one of the halogens Cl, Br or I is present in a quantity between 10^{-6} and 10^{-4} $\mu\text{mol}/\text{mm}^3$.

The District Court construed the phrase, "a quantity between 10^{-6} and 10^{-4} $\mu\text{mol}/\text{mm}^3$ " as "a quantity between 1 divided by 1,000,000 and 1 divided by 10,000 micromoles per cubic millimeter," or, in alternative terms also stated by the district court, "a quantity between 1×10^{-6} and 1×10^{-4} $\mu\text{mol}/\text{mm}^3$." U.S. Philips Corp. v. Iwasaki Electric Co., No. 1:03-CV-172-PKC, slip op. at 9 (S.D.N.Y. Jan. 3, 2006) ("Claim Construction Opinion").

It is uncontested that Philips did not mark its lamps as permitted by 35 U.S.C. §287(a).

The District Court concluded that the Rolfes letter was inadequate notice under 35 U.S.C. §287(a) due to its failure to identify U.S. Philips as the owner of '181, and its failure to give notice that Rolfes spoke for the owner, thereby limiting any potential damages to any acts beginning on January 8, 2003 (the date the complaint was filed). Moreover, to the extent that certain lamps existed prior to the January 2003 date were within the claimed range, it is uncontested that Iwasaki's lamps beginning on January 8, 2003 have target concentrations outside the claimed range. As such, the District Court granted summary judgment for noninfringement for both literal infringement and infringement under the doctrine of equivalents. Specifically, the District Court concluded, that after January 8, 2003, Iwasaki's entire target concentration range exceeded the range claimed by U.S. Philips. Under the doctrine of equivalents, the District Court concluded that a finding of infringement would conflict with '181's claim of a range, thereby vitiating these terms. Therefore the doctrine of equivalents was foreclosed as a matter of law.

On appeal, the Federal Circuit held that the Rolfes letter did provide sufficient notice of alleged infringement to satisfy 35 U.S.C. § 287 (a). 35 U.S.C. §287 requires that, where a patented product is not marked, the patent owner must provide proof an infringer was given affirmative notice of infringement by the patentee in the absence of marking the infringed product. Iwasaki argued that the Rolfes letter was deficient under a previous ruling where the inventor, but not the patent assignee, notified the infringer without identifying the current patent owner. (see Lans v. Digital Equipment Corp., 252 F.3d 1320 (Fed. Cir.

2001)). As such, Iwasaki argued that since the Rolfes letter did not identify the current patent owner accurately, the notice was deficient.

The Federal Circuit rejected this argument and distinguished from Lans. Specifically, the Federal Circuit held that, because U.S. Philips Corporation, the owner of the patent, was identified on the first page of the '181 patent which was enclosed in the Rolfes letter, the accused infringer was put on notice of the current patentee's identity. According to the Federal Circuit, for purposes of 35 U.S.C. §287, "[a]lthough the assignation printed on the face of a patent is not a conclusive indication of the patent's current ownership, we hold that when the information printed on the patent is correct, it is enough to put an accused infringer on notice of the patentee's identity."

Moreover, while the Rolfes letter did not purport to come from U.S. Philips Corporation, Philips International B.V. is the undisputed representative of U.S. Philips in matters of enforcement and licensing. Therefore, the Notice provided information on both the current owner of the '181 patent, as well as the contact point for licensing of the '181 patent in fulfillment of the purposes of the marking requirement under 35 U.S.C. §287 as interpreted under Lans v. Digital Equipment Corp., 252 F.3d 1320 (Fed. Cir. 2001)). Therefore, the Federal Circuit held that the Rolfes letter provided adequate notice to fulfill the requirements of 35 U.S.C. §287, and U.S. Philips can claim potential damages for infringement occurring after the June 2003 date of the Rolfes letter.

On the issue of literal infringement, the Federal Circuit reviewed whether the recited range of "between 10^{-6} and 10^{-4} $\mu\text{mol}/\text{mm}^3$ " express a range of orders of magnitude as opposed to a range of more precise numbers as the District Court found. The Federal Circuit affirmed the District Court that the recited range was a specific range rather than an order of magnitude.

Philips argued that one of ordinary skill in the art of lamp chemistry would understand 10^{-4} to mean all values closer to 10^{-4} than to 10^{-5} or 10^{-3} . With the Philips construction of 10^{-4} , the effective range would be 3.2×10^{-7} to 3.2×10^{-4} .

In rejecting this argument, the Federal Circuit held that specific quantities and not ranges were referenced through out the specification. For example, in the LAMP 1 embodiment, under the heading "halogen," the '181 patent refers to " $5 \cdot 10^{-6}$ μmol of CH_2Br_2 [mm^3] (10^{-5} μmol of Br/mm^3)." ' 10^{-5} is used as a synonym for 1×10^{-5} . Therefore, the Federal Circuit upheld the District Court's more specific construction.

On the issue Doctrine of Equivalents, the Federal Circuit held that the doctrine of equivalents was not foreclosed with respect to the claimed concentration range. The District Court had held that a finding of infringement for other claim ranges outside of the specific claim range would vitiate the claims. In support of the District Court's interpretation, Iwasaki argued that previous holdings in Moore U.S.A., Inc. v. Standard Register Co., 229 F.3d 1091 (Fed. Cir. 2000), Cooper Cameron Corp. v. Kvaerner Oilfield Products, Inc., 291 F.3d 1317, 1322 (Fed. Cir. 2002), and Elekta Instrument S.A. v. O.U.R. Scientific International, Inc., 214 F.3d 1302 (Fed. Cir. 2000), preclude Philips from relying on the doctrine of equivalents.

In Moore, the claim used the term 'majority' as a claim limitation. The contention was that to allow 47.8% to be equivalent to a majority would vitiate the requirement. In Moore, allowing even a large minority to be insubstantially different from a 'majority' would 'defy logic'. In Cooper Cameron, the term 'between' was used to describe a spatial relationship among two 'plugs' and a 'workover port'. However, no reasonable juror could conclude that placing the workover port anywhere other than 'between' the two plugs was insubstantially different from a workover port placed between the plugs.

The question of infringement under the doctrine of equivalents was not decided in Elekta.

In determining that equivalents might be available, the Federal Circuit turned to Warner-Jenkinson Co. v. Hilton Davis Chem. Co., 520 U.S. 17, 39 n.8 (1997)) and Abbott Labs. v. Dey, L.P., 287 F.3d 1097, 1103 (Fed. Cir. 2002)). In both cases, the term "between x and y" was used to enable the application of the doctrine of equivalents for a recited range. As such, the Federal Circuit confirmed that the mere recitation of a claim range does not preclude a range of equivalents outside of that claim range.

FEDERAL CIRCUIT FINDS IMPROPER INCORPORATION BY REFERENCE PREVENTED CLAIMING PRIORITY TO PARENT APPLICATION

In Zenon Environmental, Inc. v. United States Filter Corporation, Civ Case No. 2006-1266, -1267 (Fed. Cir. November 7, 2007), Zenon is the owner of U.S. Patent No. 6,620,319 (hereinafter referred to as the '319 patent). The '319 patent relates to water treatment and filtration systems, and in particular, to the use of vertical skeins having fibers that filter organic material and which are cleaned using air bubbles of a

Iwasaki's final argument against the application of the doctrine of equivalents is that the upper limit was included to avoid prior art (The Holmes reference). The Federal Circuit held that there was no amendment which narrowed the claims in a manner suggesting a surrender of scope. Additionally, to the extent that the claims could be limited through hypothetical claims drafting, the Federal Circuit applied the test outlined in Abbott Labs. According to the Federal Circuit, this test determines whether a "'hypothetical claim' that literally recites the range of equivalents asserted to infringe . . . could have been allowed by the PTO over the prior art." Abbott Labs, 287 F.3d at 1105 (quoting Wilson Sporting Goods Co. v. David Geoffrey & Assocs., 904 F.2d 677, 684 (Fed. Cir. 1990)). However, since the asserted equivalents have halogen concentrations below the range described in Holmes, Holmes therefore does not foreclose the application of the doctrine of equivalents since there is no evidence that, had the hypothetical claim been submitted to the Examiner, Holmes alone or with other references would have rendered the claimed lamps obvious. As such, the Federal Circuit reversed the District Court on the issue of Doctrine of Equivalents.

SIGNIFICANCE TO PATENT OWNERS

U.S. Philips Corporation provides additional evidence that the doctrine of equivalents, while limited, is not dead. Indeed, even where the accused device is outside of an explicitly recited claim range, the Federal Circuit reminds that, under Warner-Jenkinson, equivalency can still encompass such variations without automatically vitiating the claims. Further, U.S. Philips Corporation reminds of the importance of marking products covered by patents in order to eliminate, as an issue, whether the proper notice was given when the patent owner also manufactures devices covered by the asserted patent.

predetermined size which are provided by a gas distribution system. The '319 patent was designated as a continuation of multiple applications in a chain, including U.S. Patent No. 5,910,250 (hereinafter referred to as the '250 patent). The '250 patent was designated as a continuation in part of U.S. Patent No. 5,639,373 (hereinafter referred to as the '373 patent). The '373 patent described vertical skeins and a gas

distribution system, and the '319 patent claims the same gas distribution system described in the '373 patent.

The '250 patent incorporated the subject matter of the vertical skeins in the '373 patent by reference as follows:

The vertical skein is not the subject matter of this invention and any prior art vertical skein may be used. Further details relating to the construction and deployment of a most preferred skein are found in the parent U.S. Pat. No. 5,639,373, and in Ser. No. 08/690,045, the relevant disclosures of each of which are included by reference thereto as if fully set forth herein.

No further details on the vertical skein or the gas distribution system in the '373 patent are disclosed in the '250 patent. Moreover, the entire disclosure of the '373 patent was not incorporated by reference, but only those portions related to the skein itself.

U.S. Filter is a competitor of Zenon in the field of water treatment and filtration systems, and Zenon accused U.S. Filter of infringement of, among other patents, the '319 patent.

U.S. Filter asserted a defense of invalidity due to the '319 patent not being entitled to the priority date of '373 patent, and was thus anticipated by the '373 patent. The District Court denied U.S. Filter's motion for summary judgment on the basis of invalidity, but granted U.S. Filter's motion for summary judgment on the basis of non-infringement.

In reviewing whether the '319 patent was entitled to the priority date of the '373 patent, the Federal Circuit quoted the test from Lockwood v. Am. Airlines, Inc., 107 F.3d 1565, 1571 (Fed. Cir. 1997) as being "each application in the chain leading back to the earlier application must comply with the written description requirement of 35 U.S.C. § 112." In the context of subject matter which is incorporated by reference, the Federal Circuit held that "the host document must identify with detailed particularity what specific material it incorporates and clearly indicate where that material is found in the various documents," and in determining whether the material has been properly incorporated by reference, "the standard of one reasonably skilled in the art should be used to determine whether the host document describes the material to be incorporated by reference with sufficient particularity." Cook Biotech Inc. v. Acell, Inc., 460 F.3d 1365, 1376 (Fed. Cir. 2006) (quoting Advanced Display Sys., Inc. v. Kent State Univ., 212 F.3d 1272, 1282 (Fed. Cir. 2000)).

In applying this test, the Federal Circuit held that the incorporation by reference did not encompass all of the '373 patent, but only that portion which "pertains to the details relating to the construction and deployment of a vertical skein." While Zenon argued that the gas distribution system disclosed in the '373 patent would be understood by one skilled in the art as being a detail of the vertical skein incorporated by reference in the '250 patent, the Federal Circuit disagreed since the '373 patent drew a distinction between the vertical skein and the gas distribution system.

This distinction was found in the claims, which claimed the vertical skein without the gas distribution system, and by consistently referring to the gas distribution system as a separate element from the vertical skein in the specification. Further, the intervening '250 patent disclosed a different gas distribution system than that disclosed in the '373 patent such that, in the context of the limited incorporation by reference in the '250 patent, the gas distribution system of the '373 patent was not included in the '250 patent. As such, the Federal Circuit held that one of ordinary skill in the art would not have understood that the gas distribution system of the '373 patent was a mere detail of the vertical skein incorporated by reference in the '250 patent.

Since the vertical skein was the only portion of the '373 patent which was incorporated by reference in the '250 patent, the '250 patent did not include the subject matter of the gas distribution system described in the '373 patent. As such, the '319 patent could not rely on the intervening the '250 patent as disclosing the gas distribution system of the '373 patent for purposes of claiming priority back to the '373 patent. Therefore, the gas distribution system in the '373 patent was available as prior art as applied against the '319 patent. As such, the Federal Circuit reversed the District Court and found the claims of the '319 patent invalid in view of the '373 patent.

SIGNIFICANCE TO PATENT APPLICANTS

In general, while it is permissible to incorporate subject matter by reference, it is a better practice to ensure that such material is physically copied into the specification in order to ensure that there is obvious support for the subject matter. Moreover, where a new continuation is required and it is unclear whether the incorporation by reference of a prior application is usable, patent owners should consider filing reissue applications for existing patents resulting from the prior patent application to ensure that a result such as that in Zenon is avoided.

FEDERAL CIRCUIT FINDS PROSECUTION HISTORY DOES NOT LIMIT CLAIM SCOPE WHERE ONE SKILLED IN THE ART WOULD RECOGNIZE STATEMENT IS IN ERROR

In Elbex Video, Ltd., v. Sensormatic Electronics Corporation, 2007-1097 (Fed. Cir. November 28, 2007), Elbex owns US Patent No. 4,989,085 (the '085 patent). The '085 patent is drawn to a closed circuit television system including a supervisory station from which television cameras are controllable. The supervisory station includes a video monitor to receive and display signals from the cameras, a device to control the cameras, and a switching device to select one of the cameras to be controlled. To prevent manipulation of the wrong camera from the supervisory station, the '085 patent employs an addressing scheme in which each camera generates a unique first code signal. The first code signal is sent from the camera with video data to a receiving device of the supervisory station. A receiving device receives the first code signal, which is then input to a controlling means that generates a second code signal corresponding to the received first code signal and transmits that second code signal with control commands to the camera from which the first code signal was received.

At issue is claim 1 of the '085 patent that recites, in pertinent parts, a "receiving means for receiving said video signals and said 1st code signals;" "said controlling means including control and code generator means for generating control signals to control said television camera and 2nd code signals corresponding to the 1st code signals received in said receiving means and for transmitting said control signals and said 2nd code signals to said television camera;" and "operating said television camera in accordance with said control signals when said 2nd code signals coincide with a code allotted to said television camera." Elbex sued Sensormatic claiming Sensormatic's closed circuit television system infringed claim 1 of the '085 patent.

The District Court found, on summary judgment, noninfringement as a matter of law in that Sensormatic's system did not satisfy the addressing limitations of the '085 patent. Specifically, the District Court found that the Sensormatic system relies on addresses for corresponding cameras that are generated by the controller itself according to the number of the video input to which the camera is connected. As such, the Sensormatic system lacked the second code signal

that corresponds to the first code signal as required by the '085 patent.

Further, the District Court found that the claim limitation of "receiving means for receiving said video signals and said first code signals" had been limited during prosecution by the inventor such that "receiving means" only included a "monitor" that receives the video and the first code signal. Implicit in the District Court's ruling is that the prosecution statements would not have been viewed by one of ordinary skill in the art to be obvious error. Because of such limitation, the District Court found that the Sensormatic system did not infringe the '085 patent since no address signal corresponding to the first code signal is ever sent from the camera to the monitor.

Elbex appealed the grant of summary judgment in favor of Sensormatic. On appeal, the Federal Circuit disagreed with the District Court regarding the construction of the "receiving means." Specifically, relying on Superguide Corp. v. DirectTV Enters. Inc., 358 F.3d 870, 874 (Fed. Cir. 2004) and Omega Eng'g, Inc. v. Raytek Corp., 334 F.3d 1314, 1323 (Fed. Cir. 2003), the Federal Circuit found that "[c]laim terms are entitled to a 'heavy presumption' that they carry their ordinary and customary meaning to those skilled in the art in light of the claim term's usage in the patent specification." Slip opinion at 7. However, such ordinary and customary meaning may not apply when an applicant for patent has surrendered claim scope during prosecution of the application. In order for such prosecution disclaimer to be effective, the disavowal of claim scope "must 'be both clear and unmistakable' to one of ordinary skill in the art." *Id.* at 8 *quoting Omega Eng'g, Inc.*, 334 F.3d at 1326. Further, such disclaimer must be factually accurate in light of the remainder of the prosecution history such that a reasonable competitor would have no reason to believe that a mistake had been made. *Id.*

The District Court relied on the following statements to find prosecution disclaimer:

To ensure a no-error operation the camera generates a code signal, which is received by the monitor, based upon which, a code is sent back to the camera along with the control signal. Only coincidence of the original camera

code and the code returned to the camera will allow the control signals to operate the camera. The principle of the present invention is, therefore a transmission of a code from the camera to the monitor of the receiving means and back to the camera. *Id.* at 4.

The Federal Circuit found that the above statements do not amount to a clear and unmistakable surrender of claim scope. First, the Federal Circuit determined such statements were not supported by the specification in that nothing in the specification suggests that the monitor of the receiving means receives the first code signal and returns a corresponding code to the cameras. Second, although the above statements alone may arguably be construed as a disclaimer, when the prosecution history is considered as a whole, such statements are ambiguous. Third, the above statements, if taken literally, would result in an inoperable system as a “monitor” would not have the hardware necessary to receive and generate a second

code signal corresponding to the first signal. Further, even if the “monitor” did include such hardware, the signal would be blocked by a low-pass filter disposed between the “monitor” and the cameras. Therefore, one of ordinary skill in the art would understand claim 1 to include a receiving means not limited to a monitor. *Id.* at 11.

Because of the misconstruction of the receiving means limitation, the Federal Circuit concluded that the district court erred in granting summary judgment of noninfringement to Sensormatic based on the monitors in the Sensormatic systems not receiving a first code signal. *Id.* The Federal Circuit continued on to analyze different Sensormatic systems and arguments of counsel. The Federal Circuit agreed with the District Court’s grant of summary judgment with respect to two Sensormatic systems but found that summary judgment was improper with respect to one Sensormatic system. Thus, the Federal Circuit affirmed in part, reversed in part, and remanded for further consideration. *Id.* at 15.

FEDERAL CIRCUIT FINDS PRIORITY DOCUMENTS ARE NOT NEW EVIDENCE FOR PURPOSES OF INTERFERENCE

In *In re Harold Garner*, Civ Case. No. 2007-1221 (Fed. Cir. December 5, 2007), Calvin F. Quate and David Stern (collectively Quate) are the inventors of U.S. Patent No. 6,480,324, and Harold R. Garner is the inventor of U.S. Application Serial No. 09/998,341. Quate is the senior party in an interference proceeding between U.S. Patent No. 6,480,324 and U.S. Application Serial No. 09/998,341, and Garner is the junior party based on the effective filing date. Garner’s patent application was initially rejected based on the filing date of Quate. Garner attempted to establish a prior reduction to practice for his invention in his 2001 declaration that included: photos of the device he built before the filing date of that prior art reference and a lab notebook that allegedly showed that the device worked. John Fondon’s declaration executed on Oct. 20, 2005 was also submitted in a later filing. The evidence was submitted under Rule 131.

Initially, the Examiner found the 2001 declaration to be insufficient to provoke an interference under Rule 202(d). Garner re-titled his 2001 declaration to be a “Rule 202(d) declaration” re-executed and filed it. The Examiner forwarded this 202(d) declaration to the Board of Patent Appeals and Interferences (BPAI) to determine if there was an interference. The BPAI again found Garner’s filing insufficient to establish a prima facie showing of priority, but declared the interference per

Rule 202(d). After declaring the interference, the BPAI issued an Order to Show Cause why judgment should not be entered against him. In response to the BPAI’s Order to Show Cause, Garner relied on three items that he did not submit in his original Rule 202(d) filing to show priority: (i) a 37 C.F.R. § 1.131 declaration filed on September 2, 2003 in an attempt to overcome a prior art rejection (2003 Garner declaration); (ii) the specification of his provisional application; and (iii) the specification of his utility application. The BPAI found that these three items were “new evidence” that is not permitted under Rule 202(d) without a showing of good cause and that Garner had not attempted to show good cause for his belated reliance. Therefore, the BPAI issued judgment against Garner. Garner appeals the BPAI’s ruling on sufficiency and the Board’s definition of “new evidence.”

On appeal, the Federal Circuit first reviewed whether the provisional application was deemed new evidence as interpreted by the BPAI. While noting that the Federal Circuit only reverses the BPAI’s interpretation of USPTO regulations when the interpretation is plainly erroneous, the Federal Circuit found that BPAI erred in finding that the provisional application itself was new evidence. Specifically, the BPAI’s requirement that the specification be submitted under 202(a) must also be

resubmitted under 202(d) is inconsistent with the rule. In relevant part, 37 C.F.R. § 41.202 states as follows:

(a) Applicant. An applicant, including a reissue applicant, may suggest an interference with another application or a patent. The suggestion must:

...

(5) If a claim has been added or amended to provoke an interference, provide a claim chart showing the written description for each claim in the applicant's specification, and

...

(d) Requirement to show priority under 35 U.S.C. 102 (g).

...

(2) If an applicant fails to show priority under paragraph (d)(1) of this section, an administrative patent judge may nevertheless declare an interference to place the applicant under an order to show cause why judgment should not be entered against the applicant on priority. New evidence in support of priority will not be admitted except on a showing of good cause. . . .

(emphasis added).

According to the Federal Circuit, the BPAI's interpretation of Rule 202 would mean that evidence already existing in an applicant's application (i.e., the specification) would be considered "new evidence" if not admitted initially for a showing of priority. The Federal Circuit interpreted 202(d) to mean that new evidence is for new evidence generally, and to interpret 202(d) to be held separate from the other specific subsidiary requirements would create an inconsistent interpretation of the regulation. Because the evidence in question was already before the Board pursuant to 202(a), the provisional application cannot be considered new evidence under 202(d).

However, the Federal Circuit found that even with the provisional application in evidence, the BPAI was correct in denying the interference. Specifically, the Federal Circuit found that testimony affirming the device's existence without affirmation of its successful operation does not sufficiently corroborate Garner's claim of actual reduction to practice. Sufficiency of corroboration is determined by using a "rule of reason" analysis, under which all pertinent evidence is examined when determining the credibility of an inventor's testimony. See Price v. Symsek, 988 F.2d 1187, 1195 (Fed. Cir. 1993). The Federal Circuit stated that it is necessary for corroborating evidence to show that the device worked for its intended purpose. Hahn v. Wong, 892 F.2d 1028, 1032 (Fed. Cir. 1989) (stating that a witnesses' reading of a lab book did not corroborate a reduction to practice... because they only established the existence of those pages on a certain date and "did not independently corroborate the statements made on those pages"). As such, while the BPAI's interpretation of 37 CFR 41.202 was in error, the BPAI's holding regarding the insufficiency of showing is supported by substantial evidence and their failure to consider the specifications amounts to harmless error.

SIGNIFICANCE TO PATENT APPLICANTS

While seemingly limited to interference practice, the issue of what evidence is new can arise in a multitude of other situations during *ex parte* prosecution. For instance, applicants are generally not allowed to present new evidence after a Final Office Action or during appeal. 37 CFR 1.116(e), 37 CFR 41.33(d). As such, In re Garner confirms that applicants can rely on independent provisions, such as the need or option to provide verified copies of foreign priority documents to perfect priority claims under 37 CFR 1.55(a)(4) or to file terminal disclaimers under 37 CFR 1.321(c), to have such material submitted without being considered new evidence.

SPECIAL OFFER ON UPCOMING TREATISE ON INTELLECTUAL PROPERTY AND GOVERNMENT CONTRACTS

Slated for release in August of 2008 by Oxford University Press, *Intellectual Property In Government Contracts Protecting And Enforcing IP At The State And Federal Level* is being coauthored by James G. McEwen in collaboration with two pre-eminent intellectual

property practitioners whose combined experience spans the private and government sectors. *Intellectual Property in Government Contracts* provides a comprehensive survey of U.S. federal and state intellectual property procurement laws and gives

valuable advice to government and private-sector attorneys on aspects of intellectual property, government procurement, and litigation from the perspectives of both the government and the contractor communities.

IP attorneys will find an extensive overview of U.S. federal and state procurement systems, strategies for preserving IP rights in the procurement process, and the practical guidance needed to avoid the pitfalls of government IP contracting while taking advantage of existing contracting flexibility.

The treatise will provide a roadmap for high-tech contractors doing business with the government sector in the United States, and will include an examination of

methods proven to ensure compliance with government provisions.

Additionally, the treatise analyzes remedies that actually work, and those that do not. Further, the treatise will offer an honest, nuanced appraisal of areas in which the government is legitimately vulnerable (like trademarks) and areas in which misapprehensions have wrongly scared off private sector companies (like patent march-in rights).

As a special offer, Oxford University Press is accepting preorders and is offering a 20% discount for preorders made before March 31, 2008. To Order IP in Government Contracts, please contact customer service at 1.866.445.8685, or visit Oxford University Press online at www.oup.com/us. Quote Promo Code 26686.

FEATURE COMMENT: STATUS OF NEW RULES AFFECTING CONTINUATION PRACTICE, CLAIMS PRACTICE, AND INFORMATION DISCLOSURE STATEMENT PRACTICE

By James G. McEwen¹

BACKGROUND

Under prior rules, an applicant was entitled to file as many continuation applications as needed to ensure that the invention was properly claimed and to prevent inadvertently narrow limitations from precluding literal infringement. The only limitation on the number of continuations was generally set by matters of equity or where an applicant was not attempting to advance prosecution by amending the claims. The applicant could also attempt to ensure such coverage using a single application which included as many claims as needed. The limitation on the number of claims in a single application was set by the Examiner, who could issue a restriction if the number of claims being examined was deemed too burdensome for a single application.

Likewise, applicants were strongly encouraged, through court decisions, to submit, in an Information Disclosure Statement, any information which could be deemed material. Due to the influence of cases such as McKesson Information Solutions v. Bridge Medical, Inc., 487 F.3d 897; 82 USPQ2d 1865 (Fed. Cir. 2007) and Nilssen, et al. v. Osram Sylvania, Inc., et al., 504 F.3d 1223; 84 USPQ2d 1811 (Fed. Cir. 2007), the standard for

when documents and arguments need to be presented has been greatly expanded. As such, practitioners have generally been highly inclusive in determining what documents need to be submitted in order to ensure that, during enforcement proceedings, a court does not find the resulting patent unenforceable for failure to submit material prior art.

In an effort to reduce the number of outstanding applications, application pendency, and the claims for each application, the United States Patent and Trademark Office (USPTO) attempted to institute a new rule package to be effective on November 1, 2007. As previously reported in Volume 3, Issue 3, of the Stein, McEwen & Bui Newsletter, the new rule package was designed to change existing patent prosecution strategies by effectively limiting the number of continuations and claims.

Similarly, on July 10, 2006, the USPTO proposed changing the Information Disclosure Statement requirements in order to reduce the burden on the Examiner due to large submissions. As previously reported in Volume 2, Issue 3 of the Stein, McEwen & Bui Newsletter, the USPTO proposed these rule changes as part of the USPTO's Focus the *Patent Process in the 21st Century* plan, and are designed to "encourage patent applicants to provide the USPTO the most relevant information related to their inventions in the early stages of the review process." In order to achieve

¹ The opinions in this article do not represent the official positions of Stein, McEwen & Bui, LLP.

this goal, the USPTO is proposing applicants submit additional information about the submitted documents which varies dependent on the timing of the submission, as well as the number of submissions.

STATUS OF CHANGES TO CLAIM AND CONTINUATION RULES

In order to prevent the new continuation and claims rules from becoming effective, a suit was brought under the Administrative Procedures Act to enjoin their enactment. The suit was brought in the Eastern District of Virginia first by an individual inventor, Triantafyllos Tafas. This suit was later joined by Glaxo Smithkline. On October 31, 2007, the District Court issued a preliminary injunction preventing the USPTO from implementing the rules as planned on November 1, 2007. While not permanent, the preliminary injunction indicates that the rules may be reversed in at least certain areas. However, since there is ongoing litigation over whether the preliminary injunction should be permanent and the scope of any such injunction, it remains unclear as to when such rules will be effective, and in what form. For instance, it is conceivable that only certain rules will be enjoined, while others remain compliant with the Administrative Procedures Act. As a result, any implementation will be subject to the District Court's final decision on whether to permanently enjoin the rules, which should occur in the Spring of 2008. As such, applicants cannot anticipate, with reasonable certainty, which portions of the rules will be implemented (if any) and when.

STATUS OF CHANGES TO INFORMATION DISCLOSURE STATEMENT RULES

Since the close of the comment period for the information disclosure statement rule changes, the rules have been submitted to the Office of Management and Budget (OMB) for final review. This review is required by Executive Order 12866 for all new rules. While an effort was made to have the rules revised or rejected while under review at the OMB, OMB approved the information disclosure statement rule changes on December 12, 2007. As such, it is expected that the USPTO will issue the rules in final form in January of

2008. However, the present form of these rules is not yet known, and certain changes are likely to have occurred since the close of the comment period.

CONCLUSION

As the final form of each rule change is uncertain, any suggestions in order to address the rule changes would be speculative at best. However, it would seem advisable to assume, as a worst case scenario, that some form of the claims or continuation rule changes will be implemented. Thus, it would be generally advisable to file any new continuations or applications with large numbers of claims prior to the final decision by the Eastern District of Virginia. Moreover, in view of the impending changes to the rules for information disclosure statements and to the extent possible, any such information disclosure statements should be filed in an expedited fashion in case the final rules otherwise require the detailed explanations and updating originally proposed by the USPTO. The changes to the information disclosure statement, continuations and claims practices represent one of the largest changes to patent prosecution practice to occur in the past ten years. These changes present specific challenges to the way in which patents have been prosecuted in the past, and the interlocking features of the potential rules make it especially challenging to formulate an effective strategy without substantial study of the policies and the language of the rules. However, once such a review is done and after the final versions of the rules are implemented, it is apparent that applicants can still protect their inventions through aggressive combinations of restrictions, petitions, appeals, and possible accelerated examinations. Thus, while the changes are substantial, applicants still have the ability to strategically protect their patentable inventions by adapting to the rule changes and taking advantage of the potential workarounds reported in previous articles of the Stein, McEwen & Bui Newsletter or to be developed.

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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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