



FEDERAL CIRCUIT CLARIFIES STATUS OF PAPER AVAILABLE ON FTP SITE FOR PURPOSES OF 35 U.S.C. §102

FEDERAL CIRCUIT FINDS MERE UPLOADING OF A PAPER TO AN FTP SITE DOES NOT MAKE THE PAPER PUBLICLY AVAILABLE

In *SRI International, Inc., v. Internet Security Systems, Inc.*, 511 F3d 1186, 85 USPQ2d 1489 (Fed. Cir. 2008) the Federal Circuit affirmed in part, and vacated and remanded in part the District Court's decision finding Internet Security Systems (ISS) was liable for infringement of U.S. Patent Nos. 6,484,203 ("the '203 patent"), 6,708,212 ("the '212 patent"), 6,321,338 ("the '338 patent"), and 6,711,615 ("the '615 patent") (collectively the SRI patents).

The SRI patents relate to cyber security and intrusion detection. Specifically, the SRI patents describe "[a] computer-automated method of hierarchical event monitoring and analysis within an enterprise network including deploying network monitors in the enterprise network, detecting, by the network monitors, suspicious network activity based on analysis of network traffic data." All four patents originated from a November 9, 1998 application by inventors Phillip Porras and Alfonso Valdes.

THE EMERALD 1997 PAPER

In June 1997, SRI posted on its SRI file transfer protocol ("FTP") server a paper entitled "EMERALD: Event Monitoring Enabling Responses To Anomalous Live Disturbances" ("the EMERALD 1997 paper"). The EMERALD 1997 paper contains a detailed description of a tool for tracking malicious activity across large networks. The EMERALD

1997 paper and the '212 specification contain some overlapping material.

During prosecution of the '212 patent, SRI disclosed the EMERALD 1997 paper in its Information Disclosure Statement, and the paper was listed in the patent's Other Publications section. However, the application issued as the '212 patent despite this disclosure.

The District Court granted summary judgment in favor of ISS finding that the EMERALD 1997 paper anticipated the '212 patent. SRI challenged the District Court's grant of summary judgment contending that the EMERALD 1997 paper is not an enabling disclosure with respect to the '212 patent.

On appeal, the Federal Circuit agreed with the District Court finding that the EMERALD 1997 paper did enable one of ordinary skill in the art to practice the claimed invention. As evidence of enablement, the Federal Circuit noted that the '212 patent did issue with a similar disclosure as the EMERALD 1997 paper, including similar figures and descriptions for those figures. As such, the enablement of the EMERALD 1997 paper is tied to the enablement of the same description in the '212 patent. The Federal Circuit also found that the testimony of SRI's expert witness, Dr. Kesidis, regarding the differences between the '212 patent disclosure and the EMERALD 1997 paper lacked the detailed analysis needed to create a genuine issue of material fact. As such, the Federal Circuit affirmed the District Court's finding that the EMERALD 1997 paper was enabling for purposes of 35 U.S.C. §102.

FEDERAL CIRCUIT CLARIFIES STATUS OF 35 U.S.C. §102	1
FEDERAL CIRCUIT CLARIFIES TEST FOR CONVOYED SALES FOR DAMAGE AWARDS	3
FEDERAL CIRCUIT CLARIFIES ENABLEMENT REQUIREMENT FOR EMBODIMENTS NOT EXPLAINED IN SPECIFICATION BUT INCLUDED IN THE SCOPE OF THE CLAIMS	4
FEDERAL CIRCUIT FINDS INEQUITABLE CONDUCT FOR FAILURE TO SUBMIT NOTES	6
FEDERAL CIRCUIT INTERPRETS "A" OR "AN" AS NOT BEING LIMITED TO ONLY ONE	7
FEDERAL CIRCUIT DISALLOWS EXPERIMENTAL USE EXCEPTION IN EVALUATION SALE OF PROTOTYPES	8
FEDERAL CIRCUIT FINDS THAT SUBSEQUENT APPLICATIONS MUST BE FILED AS A DIVISIONAL APPLICATIONS FOR 35 U.S.C. §121 EXCLUSION	11
THIRD CIRCUIT FINDS LIKELIHOOD OF CONFUSION BASED UPON SIMILAR TRADE DRESS	12
SPECIAL OFFER ON INTELLECTUAL PROPERTY AND GOVERNMENT CONTRACTS TREATISE	15
FEATURE COMMENT: NEW LAWS AND PROCEDURES AFFECTING IP MANAGEMENT STRATEGIES	16

THE LIVE TRAFFIC PAPER

The District Court also granted summary judgment in favor of ISS, ruling that all asserted claims in the patents were anticipated due to the publication of "Live Traffic Analysis of TCP/IP Gateways" ("the Live Traffic paper"). Mr. Porras and Mr. Valdes authored the Live Traffic in 1997. SRI displayed the Live Traffic paper on its web site on November 10, 1997 for seven days. On August 1, 1997, Mr. Porras sent an email to Dr. Bishop, the Program Chair for SNDSS, in response to the SNDSS call for papers. He included the specific FTP address, ftp://ftp.csl.sri.com/pub/emerald/ndss98.ps, in the email. In four instances, Mr. Porras provided the full path and filename of the Live Traffic paper. The District Court ruled that the Live Traffic paper was a printed publication that anticipated all asserted claims of the four patents-in-suit. The District Court thus determined that SRI's FTP server's directory structure gave access to the article to a person of ordinary skill in the art. In the District Court's view, one of ordinary skill would know that the SRI FTP server contained information on the EMERALD 1997 project and therefore would navigate through the folders to find the Live Traffic paper.

On appeal, the Federal Circuit did not find enough evidence in the record to show that the Live Traffic paper was publicly accessible and thus a printed publication under 35 U.S.C. § 102 (b). The court found that SRI's case fell somewhere between *Application of Bayer*, 568 F.2d 1357, 1358-59 (C.C.P.A. 1978) and *In re Klopfenstein*, 380 F.3d 1345, 1347-50 (Fed. Cir. 2004), two cases dealing with public access.

In *Application of Bayer*, a graduate thesis in a university library was cited as prior art. The library had not catalogued or placed the thesis on the shelves and only three faculty members knew about the thesis. In that case, the court found that the thesis did not constitute a printed publication for purposes of 35 U.S.C. §102 because a customary search would not have rendered the work reasonably accessible even to a person informed of its existence.

A similar result occurred in *In re Cronyn*, 890 F.2d 1158, 1161 (Fed. Cir. 1989), where the thesis document was in a library, but was only indexed by the author's name. In this instance, the Federal Circuit found that there was no public accessibility because "the only research aid in finding the theses was the student's name, which of course, bears no relationship to the subject of the student's thesis." 890 F.2d at 1161.

In contrast, in *In re Klopfenstein*, two professional conferences displayed posters. These posters were printed publications for purposes of 35 U.S.C. §102

because their entire purpose was public communication of the relevant information.

Using the Klopfenstein scenario, the Federal Circuit found that posting the paper to the FTP site was most similar to placing posters at an unpublicized virtual conference with no attendees. Like posters at a vacant and unpublicized conference, only a person who wandered into the conference by happenstance or knew about the conference via unpublicized means would have access. As such, the Federal Circuit found the paper even less available to the public than the thesis in *Bayer*. This is largely due to the fact that the Live Traffic paper was not finished and posted on the FTP site solely to facilitate peer-review in preparation for later publication. The court further found that the relatively obscure filename would not lead a person to find the unpublicized paper such that the paper was not indexed in a meaningful way as is required to allow a member of the public to find the paper. As summarized by the Federal Circuit,

The record on summary judgment does not show that an anonymous user skilled in the art in 1997 would have gained access to the FTP server and would have freely navigated through the directory structure to find the Live Traffic paper. To the contrary, the paper's author, Mr. Porras, thought it necessary to provide Dr. Bishop with the full FTP address for the file. Surely Dr. Bishop, the Program Chair for SNDSS, would have qualified as one of ordinary skill in the art in 1997. Yet, despite his knowledge of the field, FTP servers, and the paper, Dr. Bishop apparently would not have found the reference without Mr. Porras's precise directions.

As such, the Federal Circuit rejected the District Court's holding that the Live Traffic paper was a printed publication for purposes of 35 U.S.C. §102.

SIGNIFICANCE FOR PATENT OWNERS

Given the prevalence of online collaborative research, inventors are tempted to post drafts of papers for comment by coinventors and for limited peer review. Such sites, when publicly accessible, do present a risk that the drafts have been published for purposes of 35 U.S.C. §102. However, as demonstrated in *SRI International*, the mere fact that a paper can be accessed publicly is insufficient to find that the paper was published for purposes of 35 U.S.C. §102(b). Instead, the access must be through a mechanism which is meaningful for someone, without prior knowledge of the paper or its location, to locate that paper. Thus, for purposes of collaborative research, the use of online

postings for drafts does not necessarily represent a patentability bar under 35 U.S.C. §102(b) as long as the posted draft is not well indexed (and is not at a location

normally indexed by such search engines as Google or Yahoo).

FEDERAL CIRCUIT CLARIFIES THE TEST FOR CONVOYED SALES AND THE EFFECT OF BAIT AND SWITCH TACTICS ON THE DAMAGE AWARDS

In *American Seating Co. v. USSC Group Inc.*, 85 USPQ2d 1683 (Fed. Cir. 2008), American Seating Company is the owner of Patent No. 5,888,038 (the '038 patent). The '038 patent is for a seating tie-down system to be used on buses for passengers in wheel chairs. USSC manufactures wheelchair tie-down devices, the VPRo1 and the VPRo2. American Seating sued USSC for infringement based upon the VPRo1 and the VPRo2. The District Court concluded neither VPRo I nor VPRo II literally infringed '038. American Seating appealed, and CAFC reversed the finding as to VPRo I and affirmed the non-infringement ruling of the lower court for VPRo II. On remand, the jury found that the '038 patent was not in public use for purposes of 35 U.S.C. §102(b), and was therefore valid. As such, the jury awarded American Seating \$2,326,129 in lost profits.

The damages award included \$1,366,612 related to lost profits from infringing sales of the VPRo I, and \$959,517 as a result of USSC's infringing offers to sell the VPRo I that resulted in deliveries of the VPRo II (i.e., a bait and switch). For the VPRo I sales, \$387,931 was directly related to diverted sales of American Seating's patented tie-down restraint system, and \$971,681 was related to diverted sales of accompanying passenger seats (i.e., convoyed sales). Similarly, of the infringing offers to sell the VPRo I that resulted in deliveries of the non-infringing VPRo II, \$288,919 was directly from sales of tie-down restraint systems, and \$670,598 was due to convoyed sales of passenger seats. Following the jury verdict, USSC moved for judgment as a matter of law, a new trial, or remittitur. The District Court denied USSC's motion in relation to public use, and granted USSC's motion in part, setting aside the portion of the verdict relating to convoyed sales, thereby reducing the overall award to \$676,850.

American Seating appealed the reduced damages award, and USSC cross-appealed the verdict on the basis that American Seating's '038 patent is invalid for public use under 35 U.S.C. §102(b).

PUBLIC USE

For purposes of public use under 35 U.S.C. §102(b), the Federal Circuit restated the general rule outlined in

Petrolite Corp. v. Baker Hughes Inc., 96 F.3d 1423, 1425 (Fed. Cir. 1996) that "an invention is in public use if it is shown to or used by an individual other than the inventor under no limitation, restriction, or obligation." However, "use of an invention by the inventor himself, or of any other person under his direction by way of experiment, and in order to bring the invention to perfection has never been regarded as such a use." *City of Elizabeth v. Am. Nicholson Pavement Co.*, 97 U.S. 126, 134 (1877). Further, relying on *Moleculon Research Corp. v. CBS, Inc.*, 793 F.2d 1261, 1265-66; 229 USPQ 805 (Fed. Cir. 1986), the Federal Circuit concluded that when "access to an invention is clearly limited and controlled by the inventor, depending upon the relationships of the observers and the inventor, an understanding of confidentiality can be implied." In the instant case, the Federal Circuit found that while the inventors permitting a limited number of people to view the tie-down restraint system prototype, this limited group shared a general understanding of confidentiality. Therefore, the Court affirmed the District Court's holding that the patent was not invalid for public use.

CONVOYED SALES

As noted by the Federal Circuit, a "convoyed sale" refers to the relationship between the sale of a patented product and a functionally associated non-patented product. Citing *Rite-Hite Corp. V. Kelly Co. Inc.*, 56 F.3d 1538, 1550 (Fed. Cir. 1998), the Federal Circuit set forth the rule that a patentee may recover lost profits on unpatented components sold with a patented item (i.e., a convoyed sale) if both the patented product and unpatented products "together were considered to be components of a single assembly or parts of a complete machine, or they together constituted a functional unit."

In examining whether there was evidence of a single functional unit, the Federal Circuit found that there was no absolute requirement that the two items (the passenger seat and the tie-down restraint system) function together. In contrast, the evidence showed that the reason both were usually purchased together was a matter of customer convenience, not functional necessity. Therefore, the Federal Circuit found that the

customer demand for tie-down assemblies and passenger seats did not constitute a functional relationship. *Cf. Juicy Whip, Inc. v. Orange Bang, Inc.*, 382 F.3d 1367, 1372 (Fed. Cir. 2004) (noting that the non-patented syrup was central to the “visual appearance” of the patented dispenser and therefore could be included in the lost profit analysis). The Federal Circuit further found that the passenger seats had a market value and useful purpose independent of the patented product. *Cf. Rite Hite*, 56 F.3d at 1550 (citing *Paper Converting Mach. Co. v. Magna-Graphics Corp.*, 745 F.2d 11 (Fed. Cir. 1984) (indicating that lost profit damages are properly granted for collateral products that have no useful purpose or market value independent of the patented product)). The Federal Circuit therefore held that because there was no clear functional relationship between the seats and the tie-down restraint system, the District Court’s summary judgment in favor of USSC on the issue of collateral sales of passenger seats was appropriate.

LOST PROFITS

As noted by the Federal Circuit, in order to be entitled to lost profits from lost sales, the patent owner bears the initial burden to show a reasonable probability that “but for” the infringement, the owner would have made the sales. *Grain Processing Corp. v. Am. Maize-Products Co.*, 185 F.3d 1341, 1349 (Fed. Cir. 1999); *State Indus., Inc. v. Mor-Flo Indus., Inc.*, 883 F.2d 1573, 1577 (Fed. Cir. 1989). Once this reasonable probability is shown, the burden shifts to the infringer to show that the “but for” causation analysis is unreasonable under the specific circumstances. *Grain Processing*, 185 F.3d at 1349. *Grain Processing* further instructs that a non-infringing replacement product is not considered a

substitute unless it is acceptable to *all* purchasers of the infringing product. *See Id.* at 1347 (emphasis added).

USSC argued that the sales of the non-infringing VPRO II resulting from an offer for sale of the infringing VPRO I should not have been included in the lost profits calculation. However, the Federal Circuit noted that there was evidence that customers did not willfully switch from an ordered VPRO I to the VPRO II, but that this conversion was automatic since the VPRO I was no longer being offered. As there was insufficient evidence that the customers consented to the switch, USSC had not shown that but for the offer to sell the infringing VPRO I, American Seating would have made the sale and that USSC’s bait and switch of the non-infringing VPRO II did not remove the existing offers for sale of the VPRO I from the lost profits calculation. As such, from the evidence presented to the jury, The Federal Circuit affirmed the jury’s conclusion that the VPRO II was not an equivalent substitute for American Seating’s tie-down system and but for the offer of the VPRO I the sales would have gone to American Seating.

SIGNIFICANCE TO PATENT OWNERS

American Seating Co. presents a reminder of the limit for damages beyond the specific patented product. Thus, if the competitor’s infringing product is a significant factor in a customer purchasing other products from the competitor, unless the other product is functionally related to the infringed product, damages will not be available for the combined sale. To successfully seek damages for the lost conveyed sales related to infringement on a patented product, the patent owner must show that the non-patented products are functionally related to the infringed patented products.

FEDERAL CIRCUIT CLARIFIES ENABLEMENT REQUIREMENT FOR EMBODIMENTS NOT FULLY EXPLAINED IN SPECIFICATION BUT INCLUDED IN THE SCOPE OF THE CLAIMS

In *Sitrick v. Dreamworks LLC*, 85 USPQ2d 1826 (Fed. Cir. 2008), David Sitrick is the owner of the two patents at issue in this case: U.S. Patent No. 5,553,864 and U.S. Patent No. 6,425,825. These two patents are both directed toward integrating a user’s appearance and voice into a video game or a movie. Sitrick sued Dreamworks and a host of other motion picture studios, alleging that the “ReVoice Studio” program distributed by the defendants infringed Sitrick’s patents. The

defendants filed a motion for summary judgment, in part, on the grounds that the patents did not enable the full scope of the claims; in particular, the patents did not enable the claims with respect to movies. The District Court granted the motion.

On appeal, the Federal Circuit affirmed the District Court’s grant of the defendant’s motion for summary judgment. Specifically, the Federal Circuit agreed with Dreamworks, finding that the specification only enabled

the claims with respect to video games, and noted that the uncontested claim scope was broader than video games and encompassed video. In reviewing the law of enablement, the Federal Circuit found that the enablement requirement of the first paragraph of 35 U.S.C. § 112 requires that the specification of a patent must enable a person of ordinary skill in the art to make and use the invention described in the claims. This requirement is satisfied if, after reading the specification, a person of ordinary skill in the art would be able to practice the invention without undue experimentation. *Sitrick*, slip op. at 8 (citing *AK Steel Corp. v. Sollac*, 344 F.3d 1234, 1238-39 (Fed. Cir. 2003)). The full scope of the claims must be enabled. *Id.* (citing *Auto. Techs. Int'l v. BMW of N. Am., Inc.*, 501 F.3d 1274, 1285 (Fed. Cir. 2007)). Importantly, this enablement must be to the full scope of the claim.

The claims in the two patents encompassed both video games and movies, the Federal Circuit found, citing disclosures in the specifications as well as *Sitrick's* assertions during litigation. *Sitrick*, slip op. at 3. The specifications disclose a system where a user can integrate a video, image, or voice into an "audiovisual presentation", such as a video game or a movie. *Id.* at 5. As such, to satisfy the enablement requirement, there must be sufficient disclosure in the specification with regard to the use of the disclosed system with a movie.

In reviewing the specification, the Federal Circuit noted that the integration function is performed by an Intercept Adapter Interface System (IAIS). The IAIS intercepts address signals transmitted from a video game apparatus. If the address signals correspond to functions that are to be replaced by a user image, the IAIS reconfigures the signals so as to integrate the user image into the data stream. A user image is broadly defined in the specifications as including both a video image and an audio signal.

Movies, however, operate under a principle significantly different than video games. According to the testimony of Dreamworks' experts, movies do not employ the sort of character functions of video games. *Sitrick*, slip op. at 11. In video games, the character functions of the various characters appearing within the video game environment are separated into distinguishable address signals, and the motion of the characters within the environment is controlled by discrete signals that a controller, like the IAIS, can detect and modify. On the other hand, movies do not have such signals. Movies provide a series of complete frames that, when taken together, form a continuously moving picture. The process of inserting a user image into a motion picture

frame is very different from the process of inserting a user image into a video game, because the motion picture frame lacks the easily discernable character signals found in the video game. The specifications of the patents provided no guidance as to how the IAIS could be used to integrate a user image into a motion picture frame. Given the differences between movies and video games, the lack of information as to how the system would work with movies provided clear and convincing evidence that the specification did not enable the claims with respect to movies, which was admitted to be within the scope of the claims. Without an enabling disclosure for movies, the Federal Circuit upheld the invalidity of the claims.

The Federal Circuit discounted the testimony of *Sitrick's* expert. *Sitrick's* expert admitted that he was not familiar with motion pictures, and testified that he did not know if he would be able to modify the IAIS to work with movies. *Sitrick*, slip op. at 12. The expert's inability to support his conclusion did not create a triable issue of material fact sufficient to defeat the summary judgment motion when viewed in light of the evidence provided by the Defendant's two experts. *Id.*

The Federal Circuit also turned aside *Sitrick's* objections to claim construction. *Sitrick* argued that the District Court had erred in constructing claim 54 of the '864 patent, which included a step of synthesizing a user's voice, wherein the "user voice parameter data is input as a model to a voice synthesizer". *Sitrick*, slip op. at 12-13. *Sitrick* argued that this language should include the mere playback of the user's voice sample. However, the District Court found, and the Federal Circuit agreed, that the language of the claim plainly specified that the user's voice was to be a model for the voice synthesizer. The synthesizer could replay the words the user spoke in the sample, but the synthesizer could not merely play back the sample. Rather, the synthesizer needed to generate the words using the user sample. Applying this construction, the Federal Circuit agreed that the claims were not enabled, because nothing in the specification explained how the synthesizer could perform this function, which, according to the experts, was "difficult and problematic".

Finally, the Federal Circuit discounted *Sitrick's* argument that the case should be transferred from the Central District of California to the Northern District of Illinois, citing the two years during which *Sitrick* litigated the case in California without attempting to transfer venue. *Id.* at 14.

SIGNIFICANCE TO PATENT APPLICANTS AND OWNERS

Sitrick serves as a warning to patent applicants that the Federal Circuit is looking for increased support in the specification in order to support broad claim language. As such, where broad claim language is being utilized, it is important that patent applicants, during the application drafting process, provide information as to likely mechanisms for alternative embodiments. Moreover, for existing patents, *Sitrick* also demonstrates

the importance of choosing the right experts during enforcement actions. In *Sitrick*, the patent owner's expert's inability to describe how one of ordinary skill in the art would be able to more broadly apply the teachings of the specification was fatal to the patent itself. As such, *Sitrick* further demonstrates the importance of ensuring an expert is capable of describing such use, and is properly prepared to be asked questions relating to enablement during enforcement.

FEDERAL CIRCUIT FIND INEQUITABLE CONDUCT FOR FAILURE TO SUBMIT NOTES

In *Monsanto Company v. Bayer Bioscience N.V.*, 85 USPQ2d 1582 (Fed. Cir. 2008), Bayer owns four patents related to *Bacillus thuringiensis* (BT) toxins, which are proteins produced by strains of the BT bacteria. BT toxins are harmless to humans and most animals, but are toxic to certain crop-destroying insects. In 1986, Plant Genetic Systems (a predecessor to Bayer) succeeded in obtaining insect-resistant plants that expressed a truncated form of a BT toxin, resulting in the four Bayer patents. Specifically, U.S. Patent No. 5,545,565 (one of the four Bayer patents) claims artificial genes comprising: a truncated BT toxin gene encoding a BT toxin of a specific amino acid sequence; and the regulatory region of a gene naturally expressed in plant cells, which enables the gene to be transcribed in plants.

Monsanto, the alleged infringer, developed a genetically modified corn product that expressed a BT toxin with the same amino acid sequence claimed in the Bayer patents. Accordingly, in December 2000, Monsanto filed a declaratory judgment action seeking a declaration that its product does not infringe the four Bayer patents: U.S. Patent Nos. 5,545,565; 5,767,372; 6,107,546; and 5,254,799. Bayer counterclaimed alleging infringement. After the District Court initially granted summary judgment to Monsanto, the Federal Circuit vacated the District Court's initial findings of unenforceability and invalidity judgments in *Monsanto Co. v. Bayer BioScience N.V.*, 363 F.3d 1235 (Fed. Cir. 2004). On remand, Bayer dropped its infringement claims to three of the four patents, and proceeded to trial on only U.S. Patent No. 5,545,565 (hereinafter "the '565 patent").

Subsequently, the District Court held a four-day bench trial on the issue of Bayer's inequitable conduct before the United States Patent and Trademark Office (PTO) in prosecuting the '565 patent. The District Court found

materiality and intent for acts relating to prosecution of the '565 patent due to Bayer's failure to submit notes that contradicted its grounds for obviousness over an applied piece of art, thus rendering the '565 patent unenforceable due to inequitable conduct. The Federal Circuit then reviewed the District Court's holdings of inequitable conduct.

As its standard for review, the Federal Circuit first determined whether the District Court found "by clear and convincing evidence that a patent applicant breached its duty of candor and good faith to the United States Patent and Trademark Office by failing to disclose material information, or submitting false material information, with an intent to deceive the PTO." *Bruno Indep. Living Aids, Inc. v. Acorn Mobility Servs. Ltd.*, 394 F.3d 1348, 1351 (Fed. Cir. 2005); *Kingsdown Med. Consultants, Ltd. v. Hollister, Inc.*, 863 F.2d 867, 872 (Fed. Cir. 1988). Furthermore, once the requisite materiality and intent is established, the District Court "must balance the equities to determine whether the patentee has committed inequitable conduct that warrants holding the patent unenforceable." *Monsanto Co. v. Bayer BioScience N.V.*, 363 F.3d 1235, 1239 (Fed. Cir. 2004).

During prosecution of the '565 patent, Bayer disclosed as prior art an abstract by Dr. Wayne Barnes that had been prepared in 1985 for a scientific conference, during which Barnes presented his findings with a poster. The Barnes abstract revealed that "the second half of the [BT] toxin is dispensable for the expression of an active insecticide," but did not provide a complete description of the poster. After the Examiner rejected all of the '565 claims using the Barnes abstract, Bayer argued that the Barnes abstract fails to identify which BT toxic gene should be utilized, and that the abstract fails to show that the fusion gene would work in plants.

Although Bayer disclosed the Barnes abstract, Bayer withheld notes taken by Dr. Celestina Mariani, a Bayer employee, regarding the poster. The notes reveal in greater detail what was described on the poster and which was not included in the abstract, and specifically describe that Barnes had truncated a BT toxin gene at or near a specific enzyme site, that Barnes had created a chimeric gene which encoded a fusion of this truncated BT toxin and an NPT-II protein, and that Barnes demonstrated that the expressed protein was toxic to insects when applied to plants. Furthermore, the notes were widely distributed among Bayer's BT group. Dr. Wouter Meulemanns, of Bayer's intellectual property department, admitted that he saw the notes, but stated that Dr. Mariani was unable to remember anything about the presentation or the poster during a conversation on the notes. In contrast, the District Court found that Dr. Mariani's deposition demonstrated that she remembered a great deal about the notes and the poster.

The Federal Circuit affirmed the District Court's holding of inequitable conduct based upon a conflict between the notes and the arguments presented to the Examiner during prosecution. Specifically, the Federal Circuit determined that the arguments Bayer made in response to the Examiner's rejection are not reconcilable with the notes. Therefore, the notes are material under 37 C.F.R. 1.56(2)(i). Furthermore, the Federal Circuit held that the intent to deceive the PTO can be inferred from the absence of a credible reason for withholding the material information. As such, while cautioning that internal documents need not always be disclosed, the Federal Circuit affirmed the District Court's finding of inequitable conduct by failing to disclose the notes during prosecution due to their high materiality in contradicting their arguments for patentability.

Further, while only the '565 patent was at issue on appeal, the District Court had found the remaining patents unenforceable since the inequitable conduct

infected the remaining patents previously asserted. Bayer had argued that the District Court lacked jurisdiction over these remaining patents. In rejecting this argument, the Federal Circuit relied upon *Nilssen v. Osram Sylvania, Inc.*, 504 F.3d 1223 (Fed. Cir. 2007) in allowing the District Court to retain jurisdiction over related cases for purposes of inequitable conduct. The Federal Circuit also noted that, unlike *Nilssen*, the District Court originally had jurisdiction over these patents when the case was originally filed under 35 U.S.C. §285. As such, the Federal Circuit affirmed the District Court's finding that the remaining three patents were also unenforceable since the District Court retained jurisdiction over these three patents for purposes of inequitable conduct.

SIGNIFICANCE TO PATENT APPLICANTS

Monsanto represents an extension of the *McKesson Information Solutions v. Bridge Medical, Inc.*, 487 F3d 897, 82 USPQ2d 1865 (Fed. Cir. 2007) and demonstrates the importance of ensuring that attorney arguments in office actions are not contradicted by information known to the applicant. In *McKesson*, this contrary information was known to the patent attorney due to his handling of a related case and his failure to account for known prior art while responding to an office action. See, generally, *Federal Circuit Finds Inequitable Conduct For Not Disclosing Material Prior Art In Related Application*, pp. 10-13, Stein, McEwen & Bui Newsletter, Volume 3, Issue 2 (June 2007). In contrast, in *Monsanto*, the failure was on the part of the inventors to not bring to the attention of the prosecuting attorney information widely available and known to the inventors during prosecution. As such, *Monsanto* serves as notice to inventors to carefully review an attorney's arguments to ensure that the arguments are both technically accurate and not contrary to information known to the inventor.

FEDERAL CIRCUIT INTERPRETS "A" OR "AN" AS NOT BEING LIMITED TO ONLY ONE

In *Baldwin Graphics v. Siebert*, 85 USPQ2d 1503 (Fed. Cir. 2008), the Federal Circuit affirmed-in-part, reversed-in-part, and remanded a District Court decision of granting summary judgment of non-infringement of U.S. Patent No. Re. 35,976 (the Reissue patent) and U.S. Patent No. 5,974,976 (the '976 patent) based on the District Court's misinterpretation of claim language.

The claimed invention of the Reissue patent and the '976 patent is for cleaning a cylinder of a printing press using strips of cleaning fabric and methods for making

those systems. Baldwin sued Siebert, asserting that Siebert's packaged fabric rolls infringed claim 32 of the Reissue patent and claims 1, 7, 9, 12, 14, 23, and 25 of the '976 patent. The District Court construed "a pre-soaked fabric roll" to mean "a single pre-soaked fabric roll." In concluding that "a" means "one" in this context, the District Court largely relied on the subsequent use of "said fabric roll" as suggesting a singular fabric roll. Also, according to the District Court, the statement in the Reissue patent's specification that the sleeve is "disposed around and in

intimate contact with the fabric roll,” evinced an intent to limit “a pre-soaked fabric roll” to “one pre-soaked fabric roll” because this condition “would not be fully possible with more than one roll in the sleeve.”

Moreover, claims 1 and 14 of the '976 patent contain further disputed limitations: “reduced air content cleaning fabric” (claim 1) and “reducing air content of a strip of cleaning fabric” (claim 14). For both claims, the District Court interpreted “reduced air content cleaning fabric” to mean “a fabric whose air content has been reduced by some method prior to being wound on a roll.” Reconsideration Order, slip op. at 15.

INDEFINITE ARTICLES PRESUMED NOT LIMITED TO SINGLE ITEM

On appeal, the Federal Circuit rejected the District Court's interpretation of the articles “a” and “an” as being limited to a single item. The Federal Circuit stated that “[t]his court has repeatedly emphasized that an indefinite article ‘a’ or ‘an’ in patent parlance carries the meaning of ‘one or more’ in open-ended claims containing the transitional phrase ‘comprising.’” *KJC Corp. v. Kinetic Concepts, Inc.*, 223 F.3d 1351, 1356 (Fed. Cir. 2000). Only in circumstances where a patentee has explicitly limited the meaning of “a” or “an” to mean “one” would the term's meaning be thus limited. The Federal Circuit did not find that the specification or prosecution history required a more narrow interpretation of the indefinite articles “a” or “an,” and the court noted that the subsequent use of the term “said” also does not require such a narrow interpretation. Accordingly, the Federal Circuit reversed the District Court's claim construction for the Reissue patent.

METHOD OF MANUFACTURE DOES NOT LIMIT APPARATUS CLAIM LIMITATION

The Federal Circuit further held that the District Court erred in limiting “reduced air content cleaning fabric” to “a fabric whose air content has been reduced by some method prior to being wound on a roll.” Claims 1 and 14 are independent claims and further claims of

different classifications: claim 1 is an apparatus claim and claim 14 is a method claim. The Federal Circuit cautioned that courts must generally take care to avoid reading process limitations into an apparatus claim, see *AFG Industries, Inc. v. Cardinal IG Co.*, 375 F.3d 1367, 1372-1373 (Fed. Cir. 2004). This requirement is because the process by which a product is made is irrelevant to the question of whether that product infringes a pure apparatus claim. See *Vanguard Products Corp. v. Parker Hannifin Corp.*, 234 F.3d 1370, 1372 (Fed. Cir. 2001) (“A novel product that meets the criteria of patentability is not limited to the process by which [it] is was made.”). Thus, the process by which the fabric is made, for purposes of claim 1, is not relevant except to the extent that the process structurally alters the resulting fabric.

RECITED ORDER OF OPERATIONS DOES NOT LIMIT METHOD TO THE SAME ORDER OF OPERATIONS FOR PURPOSES OF INFRINGEMENT

Additionally, in rejecting the District Court's claim construction of method claim 14, the Federal Circuit noted that the general rule is that the recited order of the method steps is not a limitation for purposes of infringement “unless the claim explicitly or implicitly requires a specific order.” *Interactive Gift Express, Inc. v. Compuserve Inc.*, 256 F.3d 1323, 1342-43 (Fed. Cir. 2001). As such, infringement can occur even where a different order of operations is performed. In reviewing the specification and prosecution history, the Federal Circuit noted that there was no requirement that, prior to winding, the reducing air content is performed. Moreover, the Federal Circuit rejected the District Court's use of depending claims to imply an order of the operations as merely an attempt to “bootstrap a temporal restraint on the occurrence of a winding step relative to air content reduction, even though winding is not even explicitly recited in either claim 1 or claim 14.” Instead, such depending claims should have broadened the independent claims instead of narrowing them as was done by the District Court. As such, the Federal Circuit rejected the District Court's imposition of an order of operations requirement on method claim 14.

FEDERAL CIRCUIT DISALLOWS EXPERIMENTAL USE EXCEPTION IN EVALUATION SALE OF PROTOTYPES

In *Atlanta Attachment Company v. Leggett & Platt, Inc.*, 516 F.3d 1361, 85 U.S.P.Q.2d 1995 (Fed. Cir. 2008), Atlanta Attachment manufactures commercial sewing machines. Atlanta Attachment and Sealy, Inc. entered into an agreement under which (1) Atlanta Attachment

would develop an automatic gusset ruffler machine for Sealy, (2) if successful, Sealy would patent the machine, (3) if successful, Atlanta Attachment would only sell to Sealy, and (4) Atlanta Attachment would keep the development of the machine confidential. At trial, both

Atlanta Attachment and Sealy stated that both were expected to keep the development of the machine confidential. Atlanta Attachment provided four prototypes to Sealy in succession, each of the prototypes embodying improvements suggested by Sealy.

Relevant to the issues herein, Atlanta Attachment provided a quotation for the third prototype to Sealy in September of 2000 and sales orders including quotations for sales of the third prototype on November 30, 2000, and February 5, 2001. Sealy paid the February 5, 2001 invoice. Sealy inspected the third prototype at Atlanta Attachment's facilities, but Atlanta Attachment did not control the experimentation on and inspection of the prototype. Sealy ultimately rejected the fourth prototype, thereby allowing Atlanta Attachment to seek sales elsewhere.

On August 15, 2002, Atlanta Attachment filed U.S. Patent Application No. 10/219,837, which issued as U.S. Patent No. 6,834,603 on December 28, 2004. The '603 Patent claims priority to Provisional Application No. 60/362,025 filed on March 5, 2002. Therefore, the critical date for analysis of statutory bars under 35 U.S.C. §102(b) is March 5, 2001.

Atlanta Attachment sued Leggett & Platt, alleging Leggett & Platt's GPT-1000 series sewing machines infringed claim 32 of the '603 patent. Leggett & Platt asserted that the '603 patent was invalid due to an on-sale bar due to the pre-March 2002 activities of Atlanta Attachment in attempting to sell prototypes to Sealy. The Northern District of Georgia found summarily that Leggett & Platt infringed claim 32 of the '603 Patent, that the '603 patent was not invalid because of the on-sale bar, obviousness, lack of best mode and written description, and not unenforceable due to inequitable conduct.

On appeal, the Federal Circuit reversed the District Court on the issue of the on-sale bar. Specifically, the Federal Circuit held that claim 32 of the '603 Patent was on-sale within the meaning of 35 U.S.C. §102(b) before the critical date thereof. Under 35 U.S.C. §102(b), "a person shall be entitled to a patent unless ... (b) the invention was patented or described in a printed publication in this or a foreign country or in public use or on sale in this country, more than one year prior to the date of the application for patent in the United States."

An invention is statutorily barred from patenting if it was both (1) the subject of a commercial offer for sale before the critical date and (2) ready for patenting at the time of the offer. Slip at 5, *citing Pfaff v. Wells*

Elecs, Inc., 525 U.S. 55, 67, 199 S.Ct. 304, 311-12 (1998). Such inventions are barred from patenting so as to prevent an inventor from commercially exploiting the invention beyond the statutory term for patent. *Id.*, *citing Netscape Commc'ns. Corp. v. Konrad*, 295 F.3d 1315, 1323 (Fed. Cir. 2002). The third prototype is analyzed for purposes of the on-sale bar as the third prototype embodies the asserted claim 32. Further, the Federal Circuit held that the experimental use exception to the statutory bars of 35 U.S.C. §102(b) does not apply after a commercial offer for sale of an embodiment of an asserted claim. "[O]nce there has been a commercial offer, there can be no experimental use exception." Slip at 8.

(1) COMMERCIAL OFFER FOR SALE

In order to be a commercial offer for sale, such offer must be sufficiently definite that another party could make a binding contract by simple acceptance, assuming consideration, according to principles of general contract law. *Id.* at 6. The Federal Circuit stated that a distinction between experimental use and commercial exploitation of an invention has been long recognized. As such, the Court must consider "whether the primary purpose of the offers and sales was to conduct experimentation." *Id.*, *citing Allen Eng'g Corp. v. Bartell Indus.*, 299 F.3d 1336, 1354 (Fed. Cir. 2002). After considering the factors, the Federal Circuit found that claim 32 of Atlanta Attachment's U.S. Patent No. 6,834,603 is not enforceable because an embodiment of claim 32 was on sale before the critical date (i.e., on sale more than one year before the earliest date to which the application that became the '603 patent claims benefit or priority), and was not eligible for the experimental use exception.

The Court found that the invention was subject to a commercial offer for sale. Atlanta Attachment presented an invoice for the third prototype on February 5, 2001 (an offer), which Sealy paid (an acceptance). Thus, there was evidence of contract for a commercial sale of the third prototype.

While Atlanta Attachment contended that this sale was really for experimental use and was therefore not a 35 U.S.C. §102(b) bar, the Federal Circuit disagreed since the sales were specifically not experimental use. In so finding, the Court stated that experimentation to determine whether an invention meets a particular customer's purposes does not fit within the experimental use exception. *Id.*, *citing Allen Eng'g and In re Thesis*, 610 F.2d 782, 792, 63 USPQ2d 1769 (CCPA 1979). Further, the Court emphasized that the experimental use exception only applies to the actions

of Atlanta Attachment and their agents. In deciding whether experimental use exception is applicable, the Court noted that a number of factors can be used for assessing whether the circumstances surrounding a transaction indicate whether such transaction was commercial or experimental. The court specifically noted that *Allen Eng'g*, 63 USPQ2d at 1779 catalogs these factors, but that a major factor is an amount of control over the experiment retained by the inventor.

In applying these factors, the Federal Circuit found that Atlanta Attachment's lack of control over the experimentation performed by Sealy in February 2001 was dispositive to show that Atlanta Attachment was not experimenting within the experimental use exception. Specifically, the experimentation with respect to the third prototype was conducted by Sealy, and was not under the control of Atlanta Attachment during the testing as would be required for Atlanta Attachment to show experimental use. As such, there was insufficient evidence of control to allow Atlanta Attachment to avoid the on-sale bar due to the sale of the third prototype.

Lastly, the Court found that Atlanta Attachment's quotation to Sealy dated September 27, 2000 for sale of 50 units, which Atlanta Attachment testified would become a contract with upon Sealy's signature, constituted a commercial offer for sale that cannot be avoided by the experimental use exception.

As such, Atlanta Attachment's actions constitute a commercial offer for sale before the critical date of March 5, 2001, and therefore satisfied the first prong of the *Pfaff v. Wells* test.

(2) READY FOR PATENTING

The Federal Circuit next concentrated on whether the commercial offer was contemporaneous with the invention being ready for patenting. The Federal Circuit found that the invention of claim 32 was ready for patenting at the time of the commercial offer because the third prototype was an embodiment of claim 32. That the invention was ready for patenting may be demonstrated by (i) proof of reduction to practice before the critical date, or (ii) proof that "the inventor had produced drawings or descriptions of the invention that were sufficiently specific to enable a person skilled in the art to practice the invention" before the critical date. Slip at 8, quoting *Pfaff*, 525 U.S. at 67-68. "An invention is reduced to practice when it works for its intended purpose" such that "there is a demonstration of its workability or utility." *Id.*, internal citations omitted. The Court found that the invention as recited in claim 32 was reduced to practice in February 2001 in

Atlanta Attachment's presentation of the third prototype to Sealy as the third prototype demonstrated the workability and utility of claim 32, and therefore, the invention of claim 32 was ready for patenting before the critical date.

Atlanta Attachment argued that the invention was not ready for patenting because Atlanta Attachment further refined the invention in response to Sealy's comments. "Consistent with the rule that later refinements do not preclude reduction to practice, it is improper to conclude that an invention is not reduced to practice merely because further testing is being conducted." *Id.* at 9.

In support of its showing that the testing evidenced a lack of workability, Atlanta Attachment further argued that the invention was not ready for patenting because the third prototype vibrated at high speeds, which was corrected in the fourth prototype. However, because vibration-free operation was not claimed in claim 32, such refinement of the experimentation is only relevant if the vibration prevented workability or utility of the invention, and no evidence was presented to show that the vibration prevented workability or utility of the invention.

Lastly, Atlanta Attachment argued that in the third prototype, the pleat generator was coupled to the sewing head, thereby limiting the third prototype to one ruffle and one stitch at a time. However, the Court noted that claim 32 does not require an uncoupled pleat generator or multiple stitches per pleat. "While improvements were possible and ultimately manufactured in the fourth prototype, these deficiencies in the third prototype did not prevent reduction to practice of the invention actually claimed." *Id.* at 10. Therefore, the prototype, while not perfect, was sufficiently workable to read on the invention as claimed in claim 32.

CONCLUSION

As the Court determined that the invention of claim 32 was the subject of a commercial offer for sale and ready for patenting before the critical date, March 5, 2001, the Court held claim 32 invalid due to the on-sale bar of 35 U.S.C. 102(b). The Court remanded the case to the District Court for reconsideration of the allegations of inequitable conduct because the third prototype was material to the examination, but materiality does not presume intent.

SIGNIFICANCE FOR ENTREPRENEURS

Atlanta Attachment provides another example of the difficulty of executing agreements to allow customers to experiment with prototypes without triggering an on sale bar. As demonstrated, where the prototype is workable and is being provided for purposes of

FEDERAL CIRCUIT FINDS THAT SUBSEQUENT APPLICATIONS MUST BE FILED AS A DIVISIONAL APPLICATIONS FOR 35 U.S.C. § 121 EXCLUSION

In *Pfizer, Inc. v. Teva Pharms. USA, Inc.*, No. 2007-1271 (Fed. Cir. March 7, 2008), Pfizer filed an application for a broad range of non-steroidal anti-inflammatory drugs (NSAIDs) that could selectively inhibit the COX-2 enzyme. Traditional NSAIDs, such as aspirin, ibuprofen, and naproxen, inhibit the cyclooxygenase (COX) enzyme in the body. The COX enzyme produces molecules associated with pain and inflammation (COX-2) as well as molecules associated with the gastrointestinal tract (COX-1). Since the traditional NSAIDs inhibited both enzymes, these drugs tended to have gastrointestinal side effects ranging from minor stomach aches to serious ulcers. The application contained claims directed to the compounds, compositions using the compounds, and methods of using the compounds.

The patent examiner issued a restriction requirement, identifying the compound claims, the composition claims, and the method claims as directed to patentably distinct subject matter. The patent examiner also required Pfizer to elect a species. Pfizer elected to prosecute the generic compound claims as well as the species related to the compound celecoxib. The elected claims were allowed, and the patent issued as Patent No. 5,466,823 (the '823 patent).

Pfizer also filed several continuation application claiming benefit to the '823 patent application, of which two were at issue in the case before the Federal Circuit. One, which issued as Patent No. 5,563,165 (the '165 patent), was a divisional and included the restricted composition claims. The other, which issued as Patent No. 5,760,068 (the '068 patent), was a continuation in part (CIP) application and included the restricted method claims.

Teva, a generic drug manufacturer, filed an Abbreviated New Drug Application (ANDA) with the FDA directed toward celecoxib capsules. In the ANDA, Teva asserted that the '823, '165, and '068 patents were invalid. Pfizer responded by filing an infringement suit. After a bench trial, the District Court found in favor of Pfizer,

consideration, courts are likely to find such a transaction a sale for purposes of 35 U.S.C. §102(b). As such, it is important for inventors to ensure that they have already filed some form of patent application in order to ensure that such a transaction does not present a subsequent on-sale bar.

rejecting Teva's obviousness, double patenting, best mode, and inequitable conduct defenses. Teva appealed, arguing that the District Court's double patenting, best mode, and inequitable conduct rulings were erroneous.

The Federal Circuit reversed the District Court with respect to the double patenting issue, but upheld the best mode and inequitable conduct rulings. The Federal Circuit's reasoning with respect to the double patenting revolved around the wording of 35 U.S.C. § 121. This section grants the PTO the authority to issue restriction requirements in patent applications. However, the patent application cannot be used against divisional applications arising from the restriction requirement. Similarly, divisional applications from the same parent cannot be used against one another.

Here, the '068 patent was a CIP, not a divisional, of the '823 patent. Therefore, the Federal Circuit held that the '823 patent could be used as prior art against the '068 patent for double patenting. *Id.* at 15. The Court noted that, prior to the 1952 Patent Act, the PTO routinely rejected divisional applications that arose out of restriction requirements. 35 U.S.C. § 121 was intended to prevent this practice, and referred exclusively to divisional applications, as opposed to other types of applications. At the time the 1952 Patent Act was filed, the difference between divisional applications and other types of applications was well known. Therefore, the Court held that, if Congress had intended other types of applications to benefit from 35 U.S.C. § 121's safe harbor, Congress would have used different terminology. Instead, Congress chose to limit the safe harbor in 35 U.S.C. § 121 to divisional applications. Given the specific use of the term "divisional application" in § 121, the Federal Circuit concluded that the safe harbor is only applicable to divisional applications. *Id.* at 14. Since the '068 patent, however, was a CIP, not a divisional, and since 35 U.S.C. § 121 is limited to divisional applications, and the '068 application was not

a divisional application, the safe harbor of 35 U.S.C. § 121 did not apply.

With the safe harbor of 35 U.S.C. § 121 removed, the '068 patent could not survive an obviousness type double patenting rejection. The '068 patent is directed to a method of using the compositions disclosed in the '125 patent. According to Federal Circuit precedent, claims to methods of using a compound are not patentably distinct from claims to the compound itself. *Id.* at 15 (citing *Geneva Pharms., Inc. v. GlaxoSmithKline PLC*, 349 F.3d 1373, 1385-86 (Fed. Cir. 2003)). Applying precedent, the Federal Circuit held that the '068 patent was invalid on the grounds of obviousness-type double patenting over the '125 patent.

The Federal Circuit upheld the District Court's dismissal of Teva's best mode and inequitable conduct claims. *Id.* at 21. Teva argued that Pfizer failed to disclose that the inventors preferred COX-2 selectivity, and that the COX-2 selectivity could affect the dosage of the compounds and compositions recited in the '823 and '125 patents. However, the claims at issue in the '823 and '125 patents were directed to only one embodiment, which was disclosed in the specification. Although the preference for COX-2 selectivity could affect the preferred dosage of the compounds/compositions, dosages were disclosed in the specification, and no evidence supported the conclusion that the inventors preferred a non-disclosed dosage. Without such evidence, the Federal Circuit upheld the District Court's finding of validity.

Finally, Teva argued that Pfizer was guilty of inequitable conduct for failing to disclose two patent applications filed by Merck. *Id.* at 21-24. These patent applications disclosed compounds having a different heterocyclic

core, a significant distinction recognized by the PTO itself. According to the testimony of one of the inventors of celecoxib, the inventors did not believe that the compounds disclosed in the Merck applications were material, because the Merck applications were directed toward compounds having a different heterocyclic core than celecoxib. This testimony, together with evidence that the two patent applications were disclosed in several hundred other patent applications filed by Pfizer (including patent applications related to compounds having the same heterocyclic core), provided compelling evidence to support Pfizer's explanation for the failure to disclose the references. In light of the testimony, the Federal Circuit concluded that the District Court did not err in dismissing the inequitable conduct claims.

SIGNIFICANCE FOR PATENT APPLICANTS

Pfizer presents a clear case of putting form over substance. In *Pfizer*, there was no debate as to whether the method claims were restricted and therefore not eligible for inclusion in the original application. However, the failure to appropriately categorize the subsequent application as a divisional was fatal to *Pfizer's* ability to avoid an obviousness-type double patenting rejection. As such, it is important for applicants to ensure that, where relying on exclusions and exceptions utilizing specific labels such as the exclusions offered by 35 U.S.C. §121, applicants follow both the letter and the spirit of the labels required to provide said protection.

THIRD CIRCUIT FINDS LIKELIHOOD OF CONFUSION BASED UPON SIMILAR TRADE DRESS

In *McNeil Nutritionals, LLC v. Heartland Sweeteners, LLC*, 511 F.3d 350, 85 USPQ2d 154 (3rd Cir. 2007), Plaintiff McNeil Nutritionals, LLC ("McNeil") introduced Splenda®, the first artificial sweetener in the United States made from sucralose, in September 2000. Sales of Splenda® grew more than tenfold in just six years, from approximately \$32 million in 2001 to approximately \$410 million in 2006. Splenda® is sold in boxes of individual packets of 100 and 200-count sizes. The boxes are oriented horizontally, with a yellow background. The trade name "Splenda" appears at the top-center of the front of the boxes, in italicized blue lettering, and is surrounded by a white oval-shaped cloud. On the front, lower-right side of the boxes,

there is a photograph of a white cup of coffee and saucer, with an individual Splenda® packet resting on the saucer. On the front, left side of the boxes, there is a photograph of a glass and pitcher of iced tea. On the bottom-left corner is a circular element that contains the blue all-caps text, "Made from Sugar, Tastes Like Sugar." McNeil also sells granular Splenda® in vertically-oriented bags. The front of the Splenda® bag is exactly the same as that of the Splenda® boxes, except that it displays different physical props: a piece of pie on a plate, behind which are a bowl of cereal and a scoop containing granular Splenda®.

Defendant Heartland Sweeteners, LLC ("Heartland") manufactures and packages a number of store-brand

artificial sweetener products for retailers including Giant, Stop & Shop, Tops, Food Lion, Safeway, Albertson's, and Wal-Mart. Giant, Stop & Shop, and Tops are all owned by Ahold, and the packages of the store-brand sucralose products sold by these stores (the "Ahold products") are identical except that each packaging contains that respective store's name and/or logo. The Ahold products come in 100 and 200 count sizes, with a yellow background and either blue or white lettering. The product name "Sweetener" appears at the top-center of the front of the boxes, in italicized blue font. The product name is outlined in white, but not by a cloud. On the lower-right corner is a photograph of a white cup of coffee and saucer, a glass of lemonade, and several fruits further off to the right side. There is a white rectangular border surrounding the front of the boxes. The store logo (regardless of the store name) appears just above the product name. The Ahold products are sold as granular sucralose in vertically-oriented bags. The front of the vertically oriented bags are exactly the same as the front of the boxes of the Ahold products, except that they display different physical props: a slice of cheesecake on a plate, a bowl of cereal with raspberries, and a white cup of coffee and saucer.

The Food Lion store-brand 100 count-box of individual sucralose packets is oriented horizontally, with a yellow background and either blue or black lettering. The product name "Sweet Choice" appears on the bottom of the front of the box, in italicized blue font. The product name is not surrounded by a cloud, the front of the box contains a vertical design element that divides it into two portions, and the left portion includes the Food Lion logo (black) and store name (black) at the top.

The Safeway store-brand boxes of individual sucralose packets are oriented horizontally, come in 100 and 200-count sizes, have yellow backgrounds, and mostly blue lettering. The product name "Sucralose" appears on the bottom-left of the front of the boxes, in italicized blue font. The name is not surrounded by a cloud. The front of the box contains a white S-shaped Safeway logo that visually divides the front of the box into two portions.

On December 5, 2006, McNeil filed a seven-count complaint against Heartland under federal and state law, seeking relief for trade dress infringement and for trademark infringement of the slogan "Made from Sugar, Tastes Like Sugar." On December 14, 2006, McNeil filed a motion for preliminary injunction. On May 21, 2007, the District Court denied the motion with respect to all of the allegedly infringing packages in a written

memorandum and order. McNeil only appealed the trade dress infringement issue.

On appeal, the Third Circuit found that the District Court correctly found that Heartland's Food Lion and Safeway store-brand boxes did not infringe the plaintiff's trade dress packaging. However, the District Court erred in finding that Heartland's Ahold products did not infringe the plaintiff's trade dress packaging.

The Lanham Act, 15 U.S.C. §1125(a), establishes a cause of action for trade dress infringement. *TraFFix Devices, Inc. v. Mktg. Displays, Inc.*, 532 U.S. 23, 28-29 (2001). Trade dress refers to the "design or packaging or a product which serves to identify the product's source." *Shire U.S. Inc. v. Barr Labs. Inc.*, 329 F.3d 348, 353 (3d Cir. 2003). It is "the total image or overall appearance of a product, and includes, but is not limited to, such features as size, shape, color or color combinations, texture, graphics, or even a particular sales technique." *Rose Art Indus., Inc. v. Swanson*, 235 F.3d 165, 171 (3d Cir. 2000). To establish trade dress infringement under the Lanham Act, a plaintiff must prove that (1) the allegedly infringing design is non-functional; (2) the design is inherently distinctive or has acquired secondary meaning; and (3) consumers are likely to confuse the source of the plaintiff's product with that of the defendant's product. *Shire US*, 329 F.3d at 353.

The likelihood of confusion between two trade dresses is a question of fact. *A & H Sportswear, Inc. v. Victoria's Secret Stores, Inc.*, 166 F.3d 191, 194 (3d Cir. 1999). The Third Circuit applies and weighs the following 10 "Lapp" factors to determine whether there is a likelihood of confusion: (1) the degree of similarity between the plaintiff's trade dress and the allegedly infringing trade dress; (2) the strength of the plaintiff's trade dress; (3) the price of the goods and other factors indicative of the care and attention expected of consumers when making a purchase; (4) the length of time the defendant has used its trade dress without evidence of actual confusion arising; (5) the intent of the defendant in adopting its trade dress; (6) the evidence of actual confusion; (7) whether the goods, though not competing, are marketed through the same channels of trade and advertised through the same media; (8) the extent to which the targets of the parties' sales efforts are the same; (9) the relationship of the goods in the minds of consumers because of the similarity of function; and (10) other facts suggesting that the consuming public might expect the plaintiff to manufacture a product in the defendant's market, or that the plaintiff is likely to expand into that market. *Interpace Corp. v. Lapp, Inc.*, 721 F.2d 460 (3d Cir.

1983); *Freedom Card, Inc. v. JP Morgan Chase & Co.*, 432 F.3d 463, 471 (3d Cir. 2005).

On appeal were the District Court's findings in relation to the first, third, and sixth Lapp factors.

FIRST LAPP FACTOR: DEGREE OF SIMILARITY
BETWEEN McNEIL'S TRADE DRESS AND
HEARTLAND'S VARIOUS TRADE DRESSES

As noted again by the Third Circuit, "the single most important factor in determining likelihood of confusion is trade dress similarity." *A & H Sportswear*, 237 F.3d at 216. Here, the Third Circuit did not find clear error in the District Court's finding that the defendant Heartland's Food Lion and Safeway products are not substantially similar enough to weigh the first Lapp factor in favor of McNeil. The court reasoned that "forceful and distinctive design features should be weighed more heavily because they are more likely to impact the overall impression." The Third Circuit stated that the most important difference is that the trade name "Splenda" is not present on the Food Lion and Safeway packages, while the Food Lion and Safeway logos are present on the Food Lion and Safeway packages and are well-known to consumers.

Furthermore, the store designs are represented prominently on their respective packages. For example, in the Food Lion package, a vertical design element runs through the front of the package, visually dividing it between a dark yellow bar and a light yellow canvas, in a way found on other Food Lion store-based products. These features distinguish the Food Lion package from any feature present on the Splenda® package. Moreover, the Food Lion package contains the product name "Sweet Choice" instead of "Splenda" and the product name is not surrounded by a white cloud. The Safeway packages contain an "S"-shaped element that divides the entire front of the box, and its presence on other Safeway store-brand products renders it well-known as a store-specific signature. Also, the Safeway packages contain the name "Sucralose" instead of "Splenda," the product name is not surrounded by a white cloud, and the circular element with the slogan "Made From Sugar, Tastes Like Sugar" is missing.

However, the Ahold products are substantially similar enough to McNeil's trade dress to weigh the first factor in favor of McNeil with respect to the Ahold products. The store name and logo are not displayed prominently on the Ahold packaging. In this sense, the Food Lion and Safeway packages are much closer to the black and white diagonally-striped packages which prominently displayed the logo "Venture" in *Conopco, Inc. v. May*

Department Stores Co., 46 F.3d 1556 (Fed. Cir. 1994) (in which the Federal Circuit held that the packages did not infringe a competitor's trade dress) because a store-specific signature is prominently displayed on them. Second, the Ahold product name "Sweetener" is placed at the top of the front of the packaging, just like "Splenda," rather than at the bottom.

McNeil further argued that the yellow packaging used by all of the allegedly infringing products weighed the first Lapp factor in favor of infringement for all of the allegedly infringing products. However, the District Court considered the yellow packaging in its analysis of the first Lapp factor, and correctly concluded that the yellow packaging alone did not outweigh the overall different impressions of the packages. The Third circuit further reasoned that just because a consumer sees yellow packaging in the sugar aisle does not mean that she believes McNeil or Splenda® to be the source, especially because consumers are generally aware of the use of pink and blue by manufacturers other than those of Sweet N' Low and Equal, respectively.

THIRD LAPP FACTOR: DEGREE OF CONSUMER
CARE

McNeil argued that the District Court erred in attributing a heightened level of care to consumers of no-calorie sweeteners. "Where the buyer class consists of both professional buyers and consumers, the standard of care to be exercised by the reasonably prudent purchaser will be equal to that of the least sophisticated consumer." *Versa Products Co. v. Bifold Co.*, 50 F.3d 189, 204-05 (3d Cir. 1995). According to McNeil, since (1) the products at issue cost on average between \$4.00 and \$5.00, and (2) the least sophisticated consumer in the buying class is not buying sucralose for health reasons and thus is not likely to exercise heightened care and attention, the District Court should have weighed this factor in favor of McNeil. However, the Third Circuit held that the District Court did not err in defining the consumer class as consisting mostly of people who buy sucralose to improve their health. The District Court relied on evidence that the ordinary consumer class in this case consisted more of health-conscious people than non-health-conscious people. The reasonably prudent consumer in this case exercises some heightened care and attention when buying sucralose because her health considerations typically override the product's low cost.

SIXTH LAPP FACTOR: EVIDENCE OF ACTUAL
CONFUSION

McNeil argued that the District Court erred in holding that McNeil failed to produce any evidence of actual consumer confusion because McNeil produced testimony of Ms. Grossman about her actual confusion in purchasing Splenda®. However, the District Court considered Ms. Grossman's own admissions, including that she is a speed "surgical strike" shopper, that she is not a comparison shopper, that her yearly household income exceeds \$300,000, that she did not look at the prices on the day she made her inadvertent purchase, and that she was not wearing her reading glasses that day, and correctly concluded that Grossman was not representative of the kind of shopper ordinarily purchasing sucralose. Further, McNeil failed to produce any other evidence of actual confusion.

THE DISTRICT COURT CLEARLY ERRED IN NOT
FINDING A LIKELIHOOD OF CONFUSION AS TO
THE PACKAGES FOR WHICH IT WEIGHED THE
FIRST LAPP FACTOR IN McNEIL'S FAVOR

While affirming the District Court's decision in relation to Food Lion and Safeway, the Third Circuit found that the District Court committed clear error by not finding a

likelihood of confusion regarding the Ahold products because the District Court found the first, second, seventh, eighth, and ninth Lapp factors in favor of McNeil with respect to the Ahold products (and found the third, fourth, and tenth factors in favor of neither party). The District Court did not adequately heed the Third Circuit's oft-repeated statement that "[t]he single most important factor in determining likelihood of confusion is [degree of] similarity." The District Court incorrectly reasoned that producers of store-brand products would effectively acquire *per se* immunity as long as the store brand's name or logo appears somewhere on the allegedly infringing package, even when the name or logo is tiny. Here, the Ahold products did not prominently display the names of stores on the packaging. As such, the Third Circuit affirmed the District Court's denial of preliminary injunctive relief as to the Food Lion and Safeway products, but reversed the denial as to the Ahold products. McNeil demonstrated a likelihood of success on the merits for purposes of preliminary injunctive relief with respect to the third element of trade dress infringement, i.e., a likelihood of confusion. The Third circuit remanded the case to the District Court to consider whether McNeil can establish a likelihood of success on the remaining elements of trade dress infringement under the Lanham Act, as well as the remaining factors for preliminary injunctive relief.

SPECIAL OFFER ON INTELLECTUAL PROPERTY AND
GOVERNMENT CONTRACTS TREATISE

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).

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. Enter promotion code 26797 and save 20% off of the normal price.

FEATURE COMMENT: NEW LAWS AND PROCEDURES AFFECTING IP MANAGEMENT STRATEGIES

BY JAMES G. McEWEN, STEIN, McEWEN & BUI, LLP.¹

LEGISLATION AFFECTING TRADE SECRET OWNERS ENACTED FEDERAL LEGISLATION AFFECTING TRADE SECRET OWNERSHIP AND RIGHTS

Among other laws affecting trade secret ownership passed in 2007, Congress passed public law 110-175. Entitled the Openness Promotes Effectiveness in our National Government (OPEN) Act of 2007, the OPEN Act has the potential to cause problems for trade secret owners who rely on the trade secret exemption to the Freedom of Information Act (FOIA), 5 U.S.C. §552(b)(4), to prevent release of trade secrets held by the Government. By way of background, 5 U.S.C. §552(b)(4) allows the Government to prevent release of trade secret information which would otherwise have to be released under FOIA. However, in order to prevent release, trade secret owners are generally required, pursuant to Executive Order 12600, to aid the Government to support an assertion that the 5 U.S.C. §552(b)(4) exemption applies to a requested record and in particular to help show that the disclosure would cause competitive harm to the submitter. This support is crucial since, as noted by the Department of Justice FOIA Guide, "[c]ourts have repeatedly rejected competitive harm claims -- and even have ordered disclosure -- when those claims were advanced by agencies on their own." Freedom of Information Guide, pp. 409-410 (March 2007).

While 5 U.S.C. §552(b)(4) is not directly affected by the OPEN Act, section 6(a) of the OPEN Act requires that the agency respond to a FOIA request within 20 days of the date the request is made. As such, in order to protect trade secret information in public records to which 5 U.S.C. §552(b)(4) should apply, agencies will be under increased pressure to quickly find the submitter of such information, and if possible, within this 20 day period, require any such support needed to allow the agency to withhold trade secret information under 5 U.S.C. §552(b)(4). As such, trade secret owners will need to be on the alert for such agency requests and have procedures implemented to respond promptly to such requests from agencies since the failure to timely

respond will jeopardize the Government's ability to protect the trade secret against disclosure under FOIA.

STRATEGIES FOR UTILIZING THE PATENT PROSECUTION HIGHWAY PROGRAM

1. BACKGROUND

In order to reduce duplicative efforts where applicants have filed corresponding applications in the United States and in other countries, the United States Patent and Trademark Office has implemented the Patent Prosecution Highway Pilot Program to fast track the examination process where an application in one country has been found allowable, but has not been examined in a second country. This program is limited to applications pending before the United States Patent and Trademark Office and select foreign patent offices. Where such applications are copending, the program allows the Examiners in a country of second filing to use the results of an Examiner in a country of first filing, and thus advance the second filed application out of turn.

Currently, the selected foreign patent offices are the Japanese Patent Office, the United Kingdom Intellectual Property Office, the Canadian Intellectual Property Office, and the Korean Intellectual Property Office. The program is currently slated to end on January 28, 2009 for the Canadian Intellectual Property Office and the Korean Intellectual Property Office programs, September 4, 2008 for the United Kingdom Intellectual Property Office, and has been implemented full time with the Japanese Patent Office.

2. PROCESS

In order to take advantage of the Patent Prosecution Highway Pilot Program, there must be claims found to be allowable after examination in the first country. After the finding of allowability, the applicant may, in the second country, file a Request for Participation in the Patent Prosecution Highway, which includes a Petition to make the application special. Where the allowed claims are not the same as the claims pending in the second country, the applicant will need to make any necessary amendments to ensure that the claims in the second country sufficiently correspond to the allowed claims. By way of explanation, the claims will "sufficiently correspond" where, accounting for differences due to translations and claim format requirements, the claims are of the same or similar scope.

¹ Portions of this comment appearing in forthcoming *2007-2008 Final Report, ABA IPL Committee 410 Trade Secrets and Interference with Contracts*. The opinions in this article do not represent the official positions of Stein, McEwen & Bui, LLP.

Should the Request be accepted, the second application will be advanced out of turn and examined prior to when the application would otherwise be examined.

By way of example, assume a first application is filed in Korea, and a second application is filed in the United States claiming priority to the first application under 35 U.S.C. §119 or through the Patent Cooperation Treaty (PCT). If the first application is examined and is found to contain allowable claims, the applicant would be entitled to file a Request for Participation in the United States to ensure that the second application is advanced out of turn and receives early examination. If the claims in the United States are not substantially the same as those in Korea, the applicant would be entitled to amend the claims to ensure that the claims are substantially those of the allowed claims in Korea.

Suggested Request for Participation forms are found on the United States Patent and Trademark Office website, <http://www.uspto.gov/web/forms/index.html>.

Included in these forms is generally a requirement to list all office actions issued by the first country's patent office as well as the allowed claims, or to grant authority to allow the second country to access such actions. In addition, a translation of the allowed claims may be required where the allowed claims in the first country are not in English. Also required is a listing of documents reviewed during the examination in the first country and over which the claims were found allowable. Lastly, the applicant in the second country will need to fill out a claim correspondence table (e.g., claim 1 in first country corresponds to claim 6 in the second country) to allow the Examiner in the second country to process the second application more rapidly.

3. STRATEGIES TO IMPLEMENT

While the ability to have applications be taken out of turn has obvious benefits, the use of such a Request can be of special interest in those countries or technologies having severe examination backlogs. For instance, according to the United States Patent and Trademark Office's Performance and Accountability Report Fiscal Year 2007, the average pendency before a first office action is 25 months, with more severe backlogs in the computer and communications technologies. In contrast, other countries, such as Korea, have substantially lower pendencies. Given the mismatch in backlogs, applicants should be alert for such allowances and determine which remaining countries have not received an action.

Indeed, it may be advisable to specifically file in countries with rapid examinations in order to ensure that corresponding applications in remaining countries are advanced more rapidly. In these situations, applicants should ensure, assuming the allowed claims are acceptable, Requests for Participation are filed in the remaining countries.

Where the claims in the second country do not sufficiently correspond to the allowed claims, applicants should consider amending the existing claims or possibly filing a new divisional or continuation application having the allowed claims. In this manner, the applicant can maintain the pendency of the parent application in the second country while increasing the chances of an early examination of another claim set which has already been found allowable in another country (thus increasing the chance of allowability for the other claim set).

**STEIN, McEWEN
& BUI LLP**

About us ...

ADDRESS:

1400 EYE STREET, N.W.
SUITE 300
WASHINGTON, DC
20005

PHONE:

202.216.9505

FAX:

202.216.9510

E-MAIL:

EMAIL@SMBIPLAW.COM

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.

WWW.SMBIPLAW.COM

