



FEDERAL CIRCUIT FINDS OPEN SOURCE LICENSE ENFORCEABLE

FEDERAL CIRCUIT FINDS BREACH OF OPEN SOURCE LICENSE CREATES COPYRIGHT CAUSE OF ACTION

In *Jacobsen v. Katzer*, 535 F.3d 1373 (Fed. Cir. 2008), Robert Jacobsen holds a copyright to computer programming code that he makes available for free public download upon acceptance of the terms of an Artistic License (an “open source” or public license).

Matthew Katzer and Kamind Associates, Inc. (collectively “Katzer”) developed competing commercial software products, components of which Jacobsen accused Katzer of copying. Jacobsen alleged that Katzer copied these materials from his website and incorporated them into one of Katzer’s software packages without following the terms of the Artistic License. In particular, Katzer’s allegedly infringing software did not include (1) the authors’ names, (2) the open source software group’s copyright notices, (3) references to Jacobsen’s original copying file, (4) an identification of the open source software group or its parent site as the original source of the definition files, and (5) a description of how the files or computer code had been changed from the original source code. Jacobsen brought an action in the District Court for the Northern District of California for copyright infringement and moved for a preliminary injunction.

The District Court held that the open source Artistic License created an “intentionally broad” nonexclusive license that was unlimited in scope because it provided that a user could copy the files verbatim or could otherwise modify the material in any way, including as part of a larger, possibly commercial software distribution. The District Court found that the Artistic License

did not create liability for copyright infringement and that Jacobsen, thus, had a cause of action only for breach of contract, rather than an action for copyright infringement based on a breach of the conditions of the Artistic License. Because a breach of contract creates no presumption of irreparable harm, the District Court also denied the motion for a preliminary injunction.

Jacobsen appealed to the Federal Circuit regarding the finding that he did not have a cause of action for copyright infringement. The Federal Circuit accepted jurisdiction due to the presence of patent infringement issues not in issue on the instant appeal from the denial of a preliminary injunction.

On appeal, the Federal Circuit found a prima facie showing of copyright infringement because the parties did not dispute that Jacobsen was the holder of a copyright for certain materials distributed through his website, and Katzer admitted that portions of the DecoderPro software were copied, modified, and distributed as part of the Decoder Commander software. Katzer argued that it could not be liable for copyright infringement because it had a license to use the material. The issue before the Federal Circuit was therefore whether Katzer’s use was outside the scope of the license.

The Federal Circuit noted that open source licensing enables collaboration and advancement of the arts and sciences with great ease and speed by enabling global computer programmers to view software code and make changes and improvements. In return, a copyright holder can ensure that recipients of the redistributed computer code know the identity of the owner as well as the scope of the license granted by the original owner by requiring that users copy and restate the license and attribution

FEDERAL CIRCUIT FINDS OPEN SOURCE LICENSE ENFORCEABLE	1
FEDERAL CIRCUIT FINDS CLINICAL TRIALS ARE NOT PUBLIC USE	3
FEDERAL CIRCUIT FINDS TERM “COMPRISING” DOES NOT AUTOMATICALLY BROADEN THE TERM	5
FEDERAL CIRCUIT FINDS NO WAIVER OF SOVEREIGN IMMUNITY UNDER DMCA	7
FEDERAL CIRCUIT FINDS NO SUBJECT MATTER JURISDICTION FOR DECLARATORY JUDGMENT WHERE ONLY EVIDENCE OF NOTICE IS A PATENT MARKING	9
FEDERAL CIRCUIT FINDS INFORMATION DISCOVERED AFTER THE FILING OF AN APPLICATION MUST BE MATERIAL TO FORM GROUNDS OF INEQUITABLE CONDUCT	11
DISTRICT COURT CASES OF NOTE: DISTRICT COURT FINDS DILUTION BY TARNISHMENT AND RETROACTIVE EFFECT OF THE TRADEMARK DILUTION REVISION ACT	13
SPECIAL OFFER ON INTELLECTUAL PROPERTY AND GOVERNMENT CONTRACTS TREATISE	16
APPLICANTS ARE REMINDED OF NEW USPTO FEES	17
FEATURE COMMENT: AN OVERVIEW OF THE NEW RULES FOR APPEAL BRIEFS	18

information. Jacobsen's Artistic License, in particular, also required that changes to the computer code be tracked so that downstream users know what part of the computer code is the original code created by the copyright holder and what part has been newly added or altered by another collaborator.

The argument on appeal centered on whether the terms of the Artistic License were conditions of, or merely covenants to, the copyright license. Citing *Graham v. James*, 144 F.3d 229, 236 (2d Cir. 1998), the Federal Circuit noted that, if the alleged violated terms of the Artistic License were both covenants and conditions, they could serve to limit the scope of the license and would be governed by copyright law. In contrast, if the alleged violated terms were merely covenants, they would be governed by contract law and the relief would be limited to breach of contract remedies.

Jacobsen asserted that the terms of the Artistic License defined the scope of the license and that any use outside those restrictions was copyright infringement. Katzer argued that these terms did not limit the scope of the license and were nothing more than covenants that provided contractual terms for the use of the materials. In rejecting Katzer's argument, the Federal Circuit noted that the Artistic License stated on its face that the document created conditions, and it used traditional language of conditions under California law. Further, the conditions the Artistic License set forth were vital to enable the copyright holder to retain the ability to benefit from the work of downstream users. Thus, the Federal Circuit held that the District Court incorrectly interpreted the Artistic License to permit a user to "modify the material in any way" and did not find that any of the "provided that" limitations in the Artistic License served to limit this grant. The Federal Circuit found that this interpretation of the conditions of the Artistic License did not credit the explicit restrictions in the license that govern a downloader's right to modify and distribute the copyrighted work.

Katzer's argument was also based on the assumption that Jacobsen's copyright gave him no economic rights because he made his computer code available to the public at no charge, and Katzer argues that copyright law does not recognize a cause of action for non-economic rights. The Federal Circuit, however, found the restrictions of the Artistic License both clear and necessary to accomplish the objectives of the open source licensing collaboration, including economic benefit. As recognized by the Federal Circuit, the basic idea is that copyright holders who engage in open source licensing have the right to control the modification and

distribution of copyrighted material. A copyright holder can grant the right to make certain modifications, yet retain his right to prevent other modifications. The "unauthorized editing of the underlying work, if proven, would constitute an infringement of the copyright in that work similar to any other use of a work that exceeded the license granted by the proprietor of the copyright." *Gilliam v. ABC*, 538 F.2d 14, 21 (2d Cir. 1976).

As such, the Federal Circuit vacated and remanded since, although Katzer conceded that it did not comply with the conditions of the Artistic License, the District Court did not make factual findings on the likelihood of success on the merits in proving that Katzer violated the conditions of the Artistic License. Because the Federal Circuit determined that the conditions of the Artistic License were enforceable copyright conditions, it remanded to the District Court to determine whether Jacobsen is entitled to a preliminary injunction under these standards.

SIGNIFICANCE FOR SOFTWARE DEVELOPERS AND PATENT OWNERS

Jacobsen represents a significant victory for the open source community by confirming both that the open source licenses are enforceable, and by whom. John Markoff, *Ruling Is a Victory for Supporters of Free Software*, P. C7, New York Times (August 14, 2008). Previously, it was uncertain as to whether such licenses for freely distributed software were enforceable, a question that The Federal Circuit in *Jacobsen* answered in the affirmative. As such, industries that rely upon or use open source licenses need to evaluate whether their use or distribution is in compliance with the terms of a particular open source license. Of particular concern for patent owners are open source licenses which are hostile to patent ownership or otherwise require broad indemnifications for all downstream users of distributed software. For instance, under GNU General Public License version 3 (GPLv3), Article 11, contains specific licensing requirements for patents infringed by the distributed work and requires the distributor to ensure such a license is obtained or to decline to take such a license. Other open source licenses are less restrictive, but like the Apache License version 2.0, require licensing of patents owned by the contributor who is distributing the software. Thus, industries which rely upon open source software in their products cannot assume that the licenses are not enforceable, and will need to evaluate their compliance with the license terms to ensure that they do not run afoul of the terms.

FEDERAL CIRCUIT FINDS CLINICAL TRIALS ARE NOT PUBLIC USE WHERE THE DRUG WAS NOT READY FOR PATENTING AT THE TIME OF USE

In *In Re Omeprazole Patent Litigation*, 536 F.3d 1361 (Fed. Cir. 2008), AstraZenca AB, et al. (Astra) owns U.S. Patent No. 4,786,505 ('505 patent) and U.S. Patent No. 4,853,230 ('230 Patent). The '505 patent and the '230 patent are directed to omeprazole. Omeprazole is the active ingredient of Prilosec® and is intended to treat gastrointestinal disorders by inhibiting secretion of gastric acid. Omeprazole degrades in acid-reacting and neutral media and is also unstable when exposed to moisture and organic solvents. To overcome the issues facing omeprazole, an enteric coating can be used to cover the drug core to protect omeprazole from gastric acid. However, enteric coatings contain acidic compounds that will degrade the drug while in storage. To increase drug stability in storage, the '505 and '230 Patents add an Alkaline Reacting Compound ("ARC") to the drug core.

Impax, on Dec. 31, 1999, sought Food & Drug Administration (FDA) approval to sell 10 and 20 mg generic versions of Prilosec®. Astra filed an infringement suit for the '505 and the '230 patent under 35 U.S.C. § 271(e)(2)(A), and filed a second action when Impax amended its application to include a 40 mg version. The FDA granted final approval to Impax in September 2004 to market 10 and 20 mg versions of generic omeprazole, upon which Astra amended its complaint to include damages under 35 U.S.C. §§ 271(a)-(c).

Impax filed a response to Astra's complaints and asserted counter-claims including fraud and sham litigation, a declaration of unenforceability to the patents, and noninfringement and invalidity as to the claims of the two patents and it additionally demanded a jury trial. The District Court held a 42-day bench trial after stipulation by Astra to dismiss demand for damages against Impax. After the trial, but before the court's decision was issued, both of the patents expired. However, Astra held a 6 month market exclusivity grant from the FDA after the expiration of the '505 and the '230 patents. The District Court held that Astra's '505 and '230 patents were valid and were infringed by Impax.

Impax appealed the decision, arguing that the District Court should not have denied Impax's demand for a jury trial and should not have denied Impax's motion to dismiss Astra's claims as moot. Impax also challenged

the sufficiency of evidence for infringement and that the claims of the patent should be invalid under the public use bar set forth in 35 U.S.C. § 102(b).

On appeal, the Federal Circuit agreed with the District Court that, while the '505 and the '230 Patents expired on April 20, 2007, the District Court retained the authority to enforce Astra's right to market exclusivity under 35 U.S.C. § 271(e)(4)(A). Specifically, the Federal Circuit found that the District Court retained jurisdiction under the court's general equitable authority.

Impax also challenged the District Court's finding regarding the public use bar of 35 U.S.C. § 102(b). The '505 and '230 patent applications were filed on April 20, 1987, making their one year critical date April 20, 1986. Before the critical date, Astra had ordered four large clinical studies on the safety and effectiveness of its drugs in order to obtain FDA approval. Impax argued that these clinical studies were a public use of Astra's claimed formulation for purposes of 35 U.S.C. § 102(b). The District Court ruled against Impax's assertions on two grounds: (1) the studies constituted experimental uses and, therefore, not public uses; and (2) the patented drug was not ready for patenting until after completion of the clinical studies.

On appeal, the Federal Circuit found the District Court to be in error regarding the determination that an experimental use exception serves to negate the public-use bar of 35 U.S.C. § 102(b). Relying upon *Cargill, Inc. v. Canbra Foods, Ltd.*, 476 F.3d 1359, 1371 n.10 (Fed. Cir. 2007); *Allen Eng'g Corp. v. Bartell Indus., Inc.*, 299 F.3d 1336, 1354 (Fed. Cir. 2002); *New Railhead Mfg., LLC v. Vermeer Mfg. Co.*, 298 F.3d 1290, 1299 (Fed. Cir. 2002); *EZ Dock, Inc. v. Schafer Sys., Inc.*, 276 F.3d 1347, 1357 (Fed. Cir. 2002); *Zacharin v. United States*, 213 F.3d 1366, 1369 (Fed. Cir. 2000); and *Baxter Int'l, Inc. v. COBE Labs, Inc.*, 88 F.3d 1054, 1060 (Fed. Cir. 1996), the Federal Circuit stated that "it is clear from this court's case law that experimental use cannot negate a public use when it is shown that the invention was reduced to practice before the experimental use." As such, merely because a use is deemed a clinical trial does not prevent the clinical trial from being a public use. Instead, the inquiry centers on whether the use occurred after the invention was ready for patenting.

Even though the District Court misapplied the experimental use exception to public use, the Federal

Circuit affirmed the District Court's decision that the claims were not invalid under 35 U.S.C. § 102(b) as they were not ready for patenting. Relying upon *Invitrogen Corp. v. Boicrest Mfg., L.P.*, 424 F.3d 1374, 1380 (Fed. Cir. 2005) and *Pfaff v. Wells Electronics, Inc.*, 525 U.S. 52, 67 (1998), there was insufficient evidence that the patented formulation was not ready for patenting until after completion of the clinical studies. The Federal Circuit noted that, in *Pfaff*, the Supreme Court detailed two ways to show that an invention was ready for patenting before the critical date for purposes of 35 U.S.C. § 102(b): (1) proving reduction to practice before the critical date; or (2) proving that the inventor had prepared drawings or descriptions prior to the critical date that were sufficient for a person skilled in the art to practice the invention.

Citing *z4 Techs., Inc. v. Microsoft Corp.*, 507 F.3d 1340, 1352 (Fed. Cir. 2007), the Federal Circuit noted that there needs to be evidence that, in addition to actually building the invention meeting all the claimed limitations, but also evidence that the inventors "determined that the invention would work for its intended purpose."

In applying the test for actual reduction to practice for purposes of 35 U.S.C. § 102(b), the Federal Circuit rejected Impax's challenge of the District Court's finding with the assertion that the use of the formulation used in Phase III trials shows that Astra's scientists had conceived and produced the formulation. Specifically, the Federal Circuit stated that "[i]t is not disputed that the Phase III formulation had been produced before clinical trials. The existence of the formulation, however, does not establish that the Astra scientists had determined that the invention would work for its intended purpose." *Id* at 20.

Impax went on to argue that the Astra scientists knew in 1979, the year of the first patent application, that omeprazole could be safe and effective for treatment purposes. However, the Federal Circuit found no clear error with the District Court's finding since "Impax's argument misses the point...Impax has not demonstrated that, without conducting the Phase III clinical tests, the inventors knew that...it would be effective as a treatment for gastrointestinal disease." As such, the Federal Circuit affirmed the District Court's finding that the claims were valid as there was insufficient evidence that the inventors appreciated that the drug formulation would work for its intended purpose during the clinical trials.

The Federal Circuit also rejected Apotex's arguments that the '505 and '230 Patents claims would be

anticipated under 35 U.S.C. § 102 and/or obvious under 35 U.S.C. § 103 in light of fifteen other prior art publications. Specifically, the Federal Circuit found that the primary references applied for anticipation purposes for the '230 patent, U.S. Patent No. 2,991,226 ("the '226 patent"), U.S. Patent No. 4,470,980 ("the '980 patent"), and European Patent Application No. EP 122,815 A1 ("the '815 European application"), lacked an "acid labile pharmaceutically active substance" as in the claimed invention and affirmed the District Court's finding that the claims in the '230 patent were not anticipated by these primary references.

Further, the Federal Circuit affirmed the District Court's decision that the claimed invention of the '230 and '505 Patents was not obvious under 35 U.S.C. § 103 in view of these primary references and various combinations of secondary references. Specifically, while testimony existed as to references and how one of ordinary skill in the art would have understood the teachings of each, there was sufficient evidence from the testimony that one of ordinary skill in the art would not have combined the references in a manner which read on the claimed invention. The Federal Circuit also found that two of such were not printed publications since there was insufficient evidence that such publications were available to the public in a manner required for 35 U.S.C. § 102, and thus were not available for purposes of 35 U.S.C. § 103.

In dismissing the challenges brought by Apotex and Impax, the Federal Circuit affirmed the District Court decision that Astra's patents were enforceable and not invalid and that they were infringed by Apotex and Impax.

SIGNIFICANCE TO PATENT OWNERS

In Re Omeprazole Patent Litigation demonstrates that the mere designation of a public use as "experimental" does not preclude the use as being invalidating under 35 U.S.C. § 102(b). The important factor for purposes of 35 U.S.C. § 102(b) is whether the inventors understood that the invention would work for its intended purpose, not the subjective label given to the use. That being said, *In Re Omeprazole Patent Litigation* also demonstrates the importance of filing for patent protection before beginning any public demonstration of an invention since such uses will invariably be challenged during litigation as being public, thereby risking the patent becoming invalid as well as charges of inequitable conduct where such uses were not disclosed to the Examiner during prosecution.

FEDERAL CIRCUIT DEFINES TERM IN VIEW OF CONSISTENT SINGLE USAGE IN SPECIFICATION AND FINDS TERM "COMPRISING" DOES NOT AUTOMATICALLY BROADEN THE TERM

In *Board of Regents of the University of Texas System v. BENQ America Corp.*, 533 F.3d 1362, 87 USPQ2d 1437 (Fed. Cir. 2008), the Board of Regents of the University of Texas System ("Board of Regents") appealed the District Court for the Western District of Texas's final judgment that BENQ America, Corp., et al. (collectively "BENQ") did not infringe Board of Regents' U.S. Patent No. 4,674,112 ("the '112 patent"). The Federal Circuit affirmed the District Court's decision.

The '112 patent describes an apparatus and method designed to enable "non-verbal entry" and transmission of a word/words using a standard, touch-tone telephone. Because each key on a standard touch-tone telephone represents more than one letter, the user depresses a key one time for any of its corresponding letters, and the method compares this sequence against a vocabulary directory of possible words that the user may be intending to enter. The system minimizes memory requirements and enables an expanded word recognition capability by using a vocabulary of syllabic elements rather than a vocabulary of words.

During prosecution, the examiner rejected the claims as anticipated by the Rabiner article, "Digital Techniques for Computer Voice Response: Implementations and Applications," *Proceedings of the IEEE*, vol. 64, No. 4, Apr. 1976, pp. 416-33. The examiner noted that Rabiner taught a system described by the claims, in which a single key is depressed for each letter of a word to be transmitted even though each key corresponds to multiple different letters. In response to the rejection, the Board of Regents amended claim 10 to state "each pre-programmed code being representative of a *syllabic element* [replacing an alphabetic character string]," and the '112 patent, thereafter, issued.

In March and May of 2005, the Board of Regents filed three separate lawsuits in the Western District of Texas alleging infringement of claim 10 (and its dependent claim 11) of the '112 patent by an extensive list of defendants. In October 2005, the District Court consolidated these cases into the present suit. Upon a *Markman* hearing, the District Court concluded that the claim term "syllabic element" means "a one-syllable letter group that comprises a word or can be combined with other one-syllable letter groups to form a word."

The District Court also concluded that the claim term "one or more pre-programmed codes" did not require construction.

On November 7, 2006, Motorola (defendant) filed a motion for summary judgment of non-infringement, which argued that Motorola's accused devices did not infringe the matching limitation of claim 10 (i.e. "matching said binary code with one or more pre-programmed codes, each pre-programmed code being representative of a syllabic element"). The District Court granted this motion to all the defendants, concluding that the accused devices did not infringe the matching limitation because none of the accused devices "relie[d] upon a vocabulary of only syllabic elements, even if certain entries in those vocabularies happen[ed] to be one syllable long."

On appeal, the Board of Regents argued that the District Court improperly rejected its intermittent infringement argument, erroneously determined that the accused devices fell outside the scope of the claims, and failed to resolve all factual inquiries in favor of the non-movant. The Board of Regents further disagreed with the District Court's claim construction of "syllabic element" and its grant of summary judgment.

DEFINING "SYLLABIC ELEMENT"

In addressing the Board of Regents first argument, the Federal Circuit turned to the specification of the '112 patent to construe the term "syllabic element." The specification repeatedly distinguishes between a "word" and a "syllabic element" and indicates that a word is comprised of syllabic elements, confirming that those terms are not coextensive in scope. Further, the specification contains a sole example of a syllabic element—"con," a one-syllable letter group that is both a word and is able to be combined to form other words. The District Court found this passage to imply that a syllabic element is limited to a single syllable, whereas the Board of Regents reasoned that because "common letter-groups, suffixes, [and] prefixes" are "referred to as 'syllabic elements,'" the term "syllabic element" must include every common letter-group, suffix, or prefix. Thus, because some prefixes include more than one syllable, the Board of Regents argued that this

passage compels a construction that allows syllabic elements to be more than one syllable. The Federal Circuit, on the other hand, found that just because a “syllabic element” may be a prefix or a suffix does not mean that all prefixes and suffixes are “syllabic elements.” Also, this passage includes “common letter-groups” as possible “syllabic elements,” but even the Board of Regents did not contend that all common letter groups are “syllabic elements.”

The Board of Regents added the term “syllabic element” to claim 10 during prosecution of the ‘112 patent. If, as the Board of Regents proposed, the phrase “syllabic element” was broadly defined to include letter groups having any number of syllables, then all words would also be syllabic elements. This does not square with the prosecution history, however, as claim 10 was amended and the dependent claim that required matching with words was cancelled. This indicates that the set of “syllabic elements” does not include all words. The Federal Circuit noted that, in construing claims, the prosecution history can be useful, especially as to amended terms used to obtain allowance of a claim. *Jansen v. Rexall Sundown, Inc.*, 342 F.3d 1329, 1333 (Fed. Cir. 2003). In view of the prosecution history, the Federal Circuit concluded that the proper construction of “syllabic element” was a one-syllable letter group that either comprises a word or can be combined with other one-syllable letter groups to form a word. The Federal Circuit saw no error in the District Court’s claim construction.

"EACH PRE-PROGRAMMED CODE" REQUIRES ALL PRE-PROGRAMMED CODES TO HAVE SYLLABIC ELEMENT

As to the disagreement over the language, “each pre-programmed code being representative of a syllabic element,” the Board of Regents asserted that the claims simply require matching with one or more syllabic elements based on the theory that infringement occurs whenever a match with a syllabic element occurs, even if matches are also made with non-syllabic elements. BENQ disagrees and asserts that the claim requires that the database be composed solely of syllabic elements. The Federal Circuit found that it was significant that claim 10 distinguishes between “each pre-programmed code” and “the matched one or more programmed codes” because different claim terms are presumed to have different meanings. *CAE Screenplates Inc. v. Heinrich Fiedler GmbH & Co.*, 224 F.3d 1308, 1317 (Fed. Cir. 2000). Because “the matched one or more preprogrammed codes” clearly refers to the pre-programmed code(s) that are matched with the binary

code in the “matching” step, the Federal Circuit concluded that “each pre-programmed code” must refer to all potential pre-programmed codes in the vocabulary accessed by the method. Because the prosecution history attributed significance to the use of the word “each” in defining the claim over the art, the Federal Circuit concluded that the claim phrase “each pre-programmed code being representative of a syllabic element” means that the vocabulary only includes syllabic elements.

"COMPRISING" DOES NOT BROADEN "EACH PRE-PROGRAMMED CODE" CLAIM ELEMENT

The Board of Regents argued on appeal that the term “each” does not preclude the possibility of other codes as the use of the term “comprising” in claim 10 should allow an accused device to infringe anytime it satisfies the matching limitation in situations where other pre-programmed codes do not meet the conditions. Thus, according to the Board of Regents, the addition of unrecited steps (such as matching with a pre-programmed code that is not representative of a syllabic element) should not defeat infringement.

In rejecting this argument, the Federal Circuit held that, while the generally correct presumption is that the use of the transitional phrase “comprising” does not exclude additional unrecited steps, the phrase “comprising” does “not reach into each of the [claimed] steps to render every word and phrase therein open-ended—especially where, as here, the patentee has narrowly defined the claim term it now seeks to have broadened.” *Dippin’ Dots, Inc. v. Mosey*, 476 F.3d 1337, 1343 (Fed. Cir. 2007). Therefore, the Federal Circuit determined that the Board of Regents could not rely on the word “comprising” to broaden the scope of a claim phrase that was limited during prosecution so as to gain allowance of the patent. See *Chimie v. PPG Indus., Inc.*, 402 F.3d 1371, 1384 (Fed. Cir. 2005); *Eckchian v. Home Depot, Inc.*, 104 F.3d 1299, 1304 (Fed. Cir. 1997).

The Federal Circuit concluded that the District Court correctly granted summary judgment of non-infringement as there was no substantive dispute regarding the relevant issues of fact. A “syllabic element” is a one-syllable letter group that either comprises a word or can be combined with other one-syllable letter groups to form a word (even being as small as a single letter), and “each pre-programmed code being representative of a syllabic element” means that the vocabulary only includes syllabic elements. As the accused devices did not use pre-programmed codes devoted exclusively to syllabic elements, the District Court properly entered judgment that the accused

devices do not infringe the asserted claims of the '112 patent.

SIGNIFICANCE TO PATENT APPLICANTS

Board of Regents presents a reminder both as to the need to draft specifications with alternative embodiments to ensure broad claim interpretation, and that the term "comprising" will not always overcome a narrow claim interpretation where the specification demands a more narrow interpretation. Where a word is consistently used within the specification, that word will

likely be given the same meaning when used in claim language.

Moreover, where plural elements are recited, the term "each" in relation to a feature of the elements can have a restrictive and closed meaning. In *Board of Regents*, the term "each" was interpreted to preclude infringement where even one code did not have a syllabic element. Therefore, the word "each" should be avoided, and if its use is unavoidable, applicants should ensure that the specification is clear that the use of the term "each" does not restrict the use of the invention.

FEDERAL CIRCUIT FINDS NO WAIVER OF SOVEREIGN IMMUNITY UNDER DMCA

In *Blueport Co. v. United States*, 533 F.3d 1374, 87 USPQ2d 1512 (Fed. Cir. 2008), Mark Davenport, a Technical Sergeant with the Air Force, worked with the Air Force's Manpower Data System (MDS). Through working with the MDS, Davenport concluded that the software used to run the MDS program was inefficient and began to seek ways of improving the software. Davenport sought training in computer programming from the Air Force, but was denied. As such, Davenport learned how to program on his own time, and subsequently wrote a new program called "the AUMD" program, also on his own time at his home.

Davenport used the AUMD program at work and began sharing it with coworkers. Based on his experiences using the AUMD program at work, Davenport made changes from time to time to improve the program. At no time did Davenport bring the source code to work or copy it onto Air Force computers.

The AUMD program began to catch on, and Davenport shared it with other colleagues by posting it on a page in the Air Force intranet. He continued to modify the AUMD program, and eventually added an expiration date feature where users had to download a new version of the program whenever the old one expired.

Davenport gave a presentation to senior Air Force personnel and convinced them of the usefulness of the AUMD program. Davenport's performance evaluations marked him as the go-to guy for troubleshooting with the MDS and recommended an immediate promotion.

The Air Force eventually determined that it was too reliant on Davenport for access to the AUMD program and asked him to turn over the source code. When he refused, his superiors at the Air Force threatened him with a demotion and a pay cut and removed him from the MDS advisory board. Davenport then assigned his rights in the AUMD program to Blueport, the plaintiff.

Blueport attempted to negotiate a license with the Air Force, but was unable to reach an agreement. The Air Force contracted with SAIC to recreate the AUMD program and to modify the existing AUMD program to remove the expiration date. Blueport brought claims against the Air Force alleging copyright infringement and a violation of the DMCA in the Court of Federal Claims. The Court of Federal Claims dismissed the actions for lack of jurisdiction on the ground that the Government had not waived its sovereign immunity for any of the claims. Blueport appealed to the Federal Circuit.

On appeal, the Federal Circuit considered the scope and application of the Government's waiver of sovereign immunity for copyright infringement under 28 U.S.C. § 1498(b). The Court also considered whether the Government has waived its sovereign immunity for claims brought under the DMCA. *Blueport* at 5-6.

In making its determinations, the Federal Circuit kept in mind two long-established principles of sovereign immunity.

First, "the United States, as [a] sovereign, 'is immune from suit save as it consents to be sued . . . and the terms of its consent to be sued in any court define that court's jurisdiction to entertain the suit.'" *United States v. Testan*, 424 U.S. 392, 953 (1976) (quoting *United States v. Sherwood*, 312 U.S. 584, 586 (1941)).

Second, "a waiver of the Government's sovereign immunity will be strictly construed, in terms of its scope, in favor of the sovereign." *Lane v. Pena*, 518 U.S. 187, 192 (1996).

Id. In summary, the Federal Circuit noted that the United States is immune from suit except for where it

waives its immunity, and any such waivers are to be strictly read and construed in favor of the sovereign.

SOVEREIGN IMMUNITY FOR COPYRIGHT
INFRINGEMENT DOES NOT EXTEND TO
INFRINGEMENT CAUSED BY AUTHOR WHILE
GOVERNMENT EMPLOYEE

The Federal Circuit held that 28 U.S.C. § 1498(b) grants copyright owners a right of action for copyright infringement against the United States. Further, Government Employees are specifically allowed to bring such suits, subject to three provisos. The first proviso denies a right of action to a Government employee who “was in a position to order, influence, or induce use of the copyrighted work by the Government.” 28 U.S.C. § 1498(b). The second proviso confers no right of action “with respect to any copyrighted work prepared by a person while in the employment or service of the United States, where the copyrighted work was prepared as a part of the official functions of the employee.” *Id.* The third proviso confers no right of action “with respect to any copyrighted work . . . in the preparation of which Government time, material, or facilities were used.” *Id.* See *Blueport* at 6-7.

The Court of Federal Claims held that Blueport’s infringement claim was separately barred by all three provisos. On appeal, Blueport argued that the provisos were affirmative defenses, that the Government had the burden to show that the claims were barred, and that their claim did not fall under any of the provisos. *Blueport* at 7.

Turning to the first argument, the Federal Circuit recognized that whether a limitation is jurisdictional or an affirmative defense depends on the language and the content of the statute at issue. The Federal Circuit found that the text and structure of 28 U.S.C. § 1498(b) demonstrated that the three provisos limiting the waiver of sovereign immunity were intended to be jurisdictional limitations. First, the fact that the provisos were included in the same subsection as the waiver suggested that they defined the scope of the waiver. Second, the provisos were phrased in terms of withholding a waiver for certain rights of action. Accordingly, the Federal Circuit interpreted the inclusion of the provisos as carving out three classes of copyright violations that would not be covered by the waiver of sovereign immunity. This reading was in line with the principle that the waiver of sovereign immunity should be interpreted in favor of the sovereign. *Blueport* at 8-10.

Turning to the second argument, the Federal Circuit held that a party seeking the benefit of the courts has the burden of establishing jurisdiction. *Blueport* at 11 (citing *McNutt v. Gen. Motors Acceptance Corp.*, 298 U.S. 178, 189 (1936)). The Federal Circuit was not persuaded by the cases introduced by Blueport where other circuits had read a requirement that the burden rested on the Government. This was because the cases cited were limited to the Federal Torts Claim Act and the circuits were undecided on the issue.

Turning to the third argument, the Federal Circuit agreed with the CFC that Blueport’s claim was barred by the first proviso (“order, influence, or induce”) and did not address the other two provisos. The Federal Circuit found that Davenport was in a position to influence and induce his coworkers at the MDS to use his AUMD program. He distributed and promoted the program within the Air Force. Further, the Air Force’s use after Davenport was removed from the advisory board was also found to be guarded by sovereign immunity. This is because the Federal Circuit saw nothing in 28 U.S.C. § 1498(b) to suggest that a party who was in a position to influence the Government’s use of copyrighted work can later bring a claim for continued use after he lost his position of influence. *Blueport* at 12.

Thus, the Federal Circuit found that Blueport could not bring a claim of copyright infringement against the Government because the Government had not waived its sovereign immunity.

SOVEREIGN IMMUNITY UNDER THE DMCA

The Digital Millennium Copyright Act of 1998 (“DMCA”) provides additional liability for copyright infringement. Pub. L. No. 105-304, 112 Stat. 2860 (Oct. 28, 1998), codified at 17 U.S.C. § 1201, et seq. Blueport brought claims under the DMCA against the Government for use of their copyrighted software. The CFC dismissed the claims on the ground that the Government has not waived sovereign immunity for DMCA claims. The Federal Circuit affirmed.

In affirming the decision, the Federal Circuit held that the “DMCA itself contains no express waiver of sovereign immunity. Indeed, the substantive prohibitions of the DMCA refer to individual persons, not the Government.” *Blueport* at 13. Blueport argued that a waiver should be implied, but the Court recognized that “it is well-established that a waiver of sovereign immunity ‘cannot be implied but must be unequivocally expressed.’ ” *Blueport* at 13 (citing *United States v. King*, 395 U.S. 1, 4 (1969)).

Blueport further argued that the Tucker Act, 28 U.S.C. § 1491(a)(1) provided a general waiver of sovereignty. The Federal Circuit found that the Tucker Act served to provide jurisdiction to the Court of Federal Claims over any claim arising under a law that creates the right to money damages from the Government, and thus did not grant the waiver of sovereignty necessary for Blueport to bring their claim. Specifically, the Federal Circuit held that “the DMCA does not contain an express or implied right to recover money-damages from the Government.” *Blueport* at 15.

Blueport’s final argument was that the waiver of sovereignty under copyright infringement was sufficient to waive sovereignty under the DMCA. The Federal Circuit rejected this argument, pointing out that the DMCA created new claims for liability that are separate and distinct from copyright infringement. *Blueport* at 15-16. As such, the Federal Circuit held that the DMCA does not provide an alternative grounds for relief outside of any claims otherwise viable under 28 U.S.C. § 1498.

FEDERAL CIRCUIT FINDS NO SUBJECT MATTER JURISDICTION FOR DECLARATORY JUDGMENT WHERE NO EVIDENCE OF THREAT AND ONLY EVIDENCE OF NOTICE IS A PATENT MARKING

In *Prasco v. Medicis Pharmaceutical Corp. et al.*, 87 USPQ2d 1675 (Fed. Cir. Aug. 15, 2008), Medicis manufactures a benzoyl peroxide cleanser under the name TRIAZ®. The cleanser is marked as being covered by four patents: U.S. Patent Nos. 5,648,389, 5,254,334, 5,409,706, and 5,632,996. The four patents are owned by Medicis and Imaginative Research Associates. Prasco makes a competing generic benzoyl peroxide cleanser: OSCION™. On learning of the four patents, Prasco filed a declaratory judgment action under 28 U.S.C. § 2201 in order to declare that OSCION™ does not infringe U.S. Patent Nos. 5,648,389, 5,254,334, 5,409,706, and 5,632,996.

There was no dispute that Medicis was unaware of OSCION™ prior to the filing of the declaratory judgment. Instead, Prasco alleged that the declaratory judgment action was proper for three reasons. First, Medicis’ marking of TRIAZ® products in compliance with 35 U.S.C. § 287 exposed Prasco to damages, thereby bringing the possibility of immediate harm. Moreover, due to a prior infringement suit brought by Medicis against Prasco in relation to another product, there was evidence that Medicis was likely to sue Prasco over

SIGNIFICANCE TO GOVERNMENT CLAIMANTS

As similarly found in *Zoltek Corp. v. United States*, 442 F.3d 1345 (Fed. Cir. 2006), *Blueport* confirms the narrow construction afforded any waiver of sovereign immunity by the Government. Thus, where it is believed that the Government, or a contractor, is infringing intellectual property, the intellectual property owner needs to ensure that any claim is made clearly within the bounds of an explicit waiver for sovereign immunity. Additionally, where such explicit waiver is not found and the Government is not liable for infringement, a contractor needs to be aware that there is the possibility that the contractor will be liable for such work. Additional discussion on this topic can be found in the *Intellectual Property In Government Contracts: Protecting And Enforcing IP At The State And Federal Level*, which is slated for release in early 2009 by Oxford University Press.

generic versions of cleanser. Lastly, while Prasco sent a sample of OSCION™ and an ingredient list to Medicis and requested a covenant not to sue under the four patents, Medicis did not sign the covenant not to sue and responded with a single sentence letter advising that they “do not plan to withdraw [their] motion to dismiss the complaint.”

The District Court dismissed the declaratory judgment action for lack of subject matter jurisdiction as there was no case or controversy. Specifically, the District Court found that there was no reasonable apprehension of suit and that there was also “no definite and concrete dispute that touches the legal relations of these parties.” As such, the District Court found that there was insufficient evidence of a case or controversy for there to be maintained a declaratory judgment action even in view of the Supreme Court’s decision in *MedImmune, Inc. v. Genentech, Inc.*, 127 S. Ct. 764 (2007).

On appeal, the Federal Circuit first noted that the declaratory judgment act does not provide a separate ground for subject matter jurisdiction. Citing its recent decision in *Teva Pharmaceuticals USA, Inc. v. Novartis*

Pharmaceuticals Corp., 482 F.3d 1330 (Fed. Cir. 2007), the Federal Circuit held that "as long as the suit meets the case or controversy requirement of Article III, a District Court may have jurisdiction over a declaratory judgment action." However, as no bright line rule exists as to when this requirement is met, the Federal Circuit acknowledged that the cases must be decided on the particular facts to determine whether the declaratory judgment was supported by "a substantial controversy, between parties having adverse legal interests, of sufficient immediacy and reality to warrant the issuance of a declaratory judgment." *Quoting MedImmune*, 127 S. Ct. at 771. In so doing, the Federal Circuit also held that the reasonable apprehension of suit test, while not an exclusive test, is useful in determining whether this threshold has been met.

In reviewing the facts of the case, the Federal Circuit first noted that the "mere existence of a potentially adverse patent does not cause an injury nor create an imminent risk of an injury; absent action by the patentee, 'a potential competitor . . . is legally free to market its product in the face of an adversely-held patent.'" *quoting Novartis*, 482 F.3d at 1345. As such, there must be more than the bare existence of a patent in order to create a case or controversy.

In the instant case, while Prasco indicated that the immediate injury to Prasco was due to the "paralyzing uncertainty" that Medicis would sue for infringement, the Federal Circuit noted that Prasco had begun substantial marketing efforts for the OSCION™ cleanser. Moreover, as there was no actual action by Medicis, there was no real and immediate threat being posed by actions of Medicis, leaving the only threat to be a subjective one in the mind of Prasco.

Also, the Federal Circuit noted that, while there was a past infringement action between Prasco and Medicis for an unrelated cleanser, this past action did not amount to a real and immediate threat on this new OSCION™ product. Thus, the past actions provided little evidence of conduct in relation to the four patents for another product.

Further, while Medicis did mark its product in conformance with 35 U.S.C. § 251, its marking was prior "to any knowledge of Prasco's OSCION™ product," and is "irrelevant to the question of whether Medicis' believes OSCION™ infringes the applicable patents or will attempt to interfere with Prasco's business on the basis of an allegation of infringement" since marking "provides

little, if any, evidence that [Medicis] will ever enforces its patents." Thus, while marking is an action caused by Medicis, the mere marking of a product provides little evidence of a real and immediate harm being threatened by Medicis against Prasco.

Lastly, while Prasco argued that Medicis' failure to sign a covenant not to sue was a sign of impending suit, the Federal Circuit noted that the "patentee has no obligation to spend the time and money to test a competitors' product nor to make a definitive determination, at the time and place of the competitors' choosing, that it will never bring an infringement suit." As such, the Federal Circuit held that Prasco's sending of samples and the covenant did not create a duty for Medicis to analyze the sample and execute the covenant such that Medicis' failure to respond to the covenant was insufficient to create a case or controversy for purposes of a declaratory judgment action. Therefore, the Federal Circuit affirmed the District Court's decision to dismiss the declaratory judgment action for lack of subject matter jurisdiction.

SIGNIFICANCE TO PATENT OWNERS

Prasco provides a reminder that, even after the Supreme Court's decision in *MedImmune Inc. v. Genentech Inc.*, 549 US 118 (2007), the Federal Circuit is still going to require more than speculative harm before allowing a declaratory judgment to continue. As such, mere marking of a patented product will not suffice as a sufficiently threatening to meet the declaratory judgment threshold according to the test outlined by the Supreme Court. A decision otherwise would have forced patent owners into a difficult decision in regards to marking patented products: either forgo profits otherwise accrued under 35 U.S.C. § 287 by not marking the patented products in order to reduce the risk of a declaratory judgment, or mark products as allowed under 35 U.S.C. § 287 to obtain pre-litigation damages and risk the declaratory judgment action. By confirming that mere marking of patented product does not provide grounds for a declaratory judgment action, the Federal Circuit confirmed that mere compliance with 35 U.S.C. § 251 does not represent a serious enough threat to all competitors to warrant a declaratory judgment. As such, merely advertising the existence of a patent, whether by marking or by describing the patent in a press release, does not represent grounds for a competitor to obtain a declaratory judgment.

FEDERAL CIRCUIT FINDS INFORMATION DISCOVERED AFTER THE FILING OF AN APPLICATION MUST BE MATERIAL TO FORM GROUNDS OF INEQUITABLE CONDUCT

In *Research Corporation Technologies, Inc. v. Microsoft Corporation*, 536 F.3d 1247, 87 USPQ2d 1519 (Fed. Cir. 2008), Research Corporation Technologies, Inc. (“RCT”) appealed the Federal Circuit for the District Court for the District of Arizona’s holding of RCT’s patents unenforceable due to inequitable conduct and its grant of summary judgment of invalidity and noninfringement in favor of Microsoft Corporation (“Microsoft”). The Federal Circuit reversed, vacated, and remanded the case to the District Court with instructions to reassign the case.

BACKGROUND

Halftoning technology is used in computers and printers. A halftone is an image that simulates a continuous tone image, but is actually an arrangement of individual dots. The particular spacing between the dots gives the viewer the illusion of a continuous picture consisting of varying shades of gray in the image. One method of halftoning is thresholding, which uses a grid-like array, or mask, to carry the threshold to initiate pixels for a particular pattern. Due to the difficulty and poor quality of the thresholding method of halftoning, two of RCT’s scientists, Dr. Kevin J. Parker and Dr. Theophano Mista, invented and applied for patents for a Blue Noise Mask that was quick, used very little computer memory, and produced high quality halftone images. These resulted in U.S. Patent Nos. 5,111,310 ('310); 5,341,228 ('228); 5,477,305 ('305); 5,543,941 ('941); 5,708,518 ('518); and 5,726,772 ('772).

Specifically, in 1987, Dr. Robert Ulichney published a book about digital halftoning techniques, but he had only the capability to generate blue noise halftone using the complex mathematical process of error diffusion. Recognizing the drawbacks of Dr. Ulichney’s method, Dr. Parker and Dr. Mista filed patent applications which resulted in the '310, '228, '305, '941, '518, and '772 patents. However, after filing the patent applications and as part of her continuing thesis work, Dr. Mista tested the strictness of Dr. Ulichney’s equation by testing it with different scaling factors (“K factors”). She concluded that the equation could indeed be broadened. Drs. Mista, Parker, and Ulichney then jointly published an article summarizing the test results.

On December 21, 2001, RCT filed suit against Microsoft for infringement of six patents related to digital halftoning. After a *Markman* hearing, RCT moved for partial summary judgment that certain Microsoft products contained infringing halftoning masks. Microsoft filed a motion for partial summary judgment that RCT’s claims were invalid for anticipation under 35 U.S.C. § 102(b) and lack of written description under 35 U.S.C. § 112 ¶1. The trial court granted RCT’s infringement motion, appointed a special master to consider the additional summary judgment motions, then transferred the case to a different trial judge. At this time, the parties filed additional summary judgment motions. The new district judge reversed the prior judge’s grant of RCT’s summary judgment motion for infringement and also granted Microsoft’s summary judgment motions for noninfringement and on invalidity. This judge additionally granted all of Microsoft’s motions *in limine* and set a jury trial to commence August 8, 2005. However, upon Microsoft’s request, the new judge cancelled the scheduled jury trial and ordered a trial on inequitable conduct instead. During trial, RCT was barred from presenting expert testimony on materiality, and its case was limited to testimony from the inventors about candor and good faith. On November 23, 2005, the trial court ruled from the bench that the RCT patents were unenforceable due to inequitable conduct. After RCT appealed, Microsoft filed motions with the District Court seeking attorney fees, amplification of the court’s finding, and an extension of the effective date for appeal pending a decision on the first two motions. The trial judge granted the motions on the deadline and attorney fees but did not amplify its findings of fact or conclusions of law on any topic.

On appeal, the Federal Circuit found that, to find a patent unenforceable for inequitable conduct, there must be clear and convincing evidence both that the applicant (1) made an affirmative misrepresentation of material fact, failed to disclose material information, or submitted false material information, and (2) intended to deceive the patent office. *Cargill, Inc. v. Canbra Foods, Ltd.*, 476 F.3d 1359, 1363 (Fed. Cir. 2007). The trial court found inequitable conduct because the inventors did not disclose the scientist’s post-filing K factor tests to the USPTO.

POST-FILING PUBLICATION NOT EVIDENCE OF
MATERIALITY SINCE NO OBLIGATION TO REPORT

However, the Federal Circuit found that, even assuming arguendo that there was an intent to deceive, because the work occurred after the scientists had filed the patent application, these K factor experiments were not material to their inventive activity. The Federal Circuit determined that under the circumstances of this case, the inventors had no obligation to report their later tests to the USPTO. For one, these post-filing K factor experiments were basic scientific research, not a verification of the patented technology. Also, the patents did not even mention the K factor, so the K factor research was not necessary to practice the patented invention. Lastly, the inventors published the K factor tests to the scientific community, and publication is an act inconsistent with intent to conceal data from the USPTO.

In support of its argument that the experimental results were material, Microsoft argued that the patents discussed production of pleasing images (or at least not annoying), and the joint publication related explicitly to “visually pleasing” images. Further, Microsoft argued that the joint publication and the fact that Dr. Mista’s K factor experiments disclosed some limitations of the patented technology. However, the Federal Circuit found that Microsoft’s contention, with which the trial court agreed, that the inventors had an obligation to submit the post-filing tests to the USPTO was incorrect. The K factor experiments were not material to the patented technology, which did not refer to or rely upon K factors at all. The Federal Circuit found that the trial court completely ignored the materiality prong and, thus, clearly erred in finding that the inequitable conduct test was satisfied.

POST-FILING PUBLICATION CONFLICTS WITH
INTENT REQUIREMENT SINCE NOT HIDDEN

In addition to missing the materiality prong, the District Court’s intent analysis was clearly erroneous. The trial court, for example, focused improperly on comments that Dr. Parker made at trial regarding the purposes of the patent system since the inventor’s motives in applying for a patent are “generally irrelevant to a proper determination of inequitable conduct.” Moreover, the Federal Circuit found that the inclusion of the experimental results in the joint publication was “an act inconsistent with an intent to conceal data from the USPTO.” As such, the Federal Circuit also reversed the District Court’s finding of an intent to deceive for purposes of inequitable conduct.

EMAIL EXCHANGE DELIBERATELY NOT
DISCUSSING DETAILS OF YET TO BE FILED
INVENTION NOT EVIDENCE OF LACK OF
POSSESSION UNDER 35 U.S.C. § 112

The District Court also erred in relying on an email exchange a few days after filing as evidence that Dr. Parker was not in possession of the invention at the time of filing for purposes of 35 U.S.C. § 112. The Federal Circuit found that an email from one scientist to another in a competitive field that does not disclose the actual status of research and is hardly dispositive proof that the inventor was not in possession of the invention at the time of filing. Moreover, the Federal Circuit noted that Dr. Parker explicitly stated he did not send the emails earlier since the research was confidential and was not to be revealed to a third party until after the patent applications were filed. Thus, the emails did not establish that the inventors did not have the invention for purposes of 35 U.S.C. § 112.

Because the trial court erred in ignoring the materiality prong and in misapplying the intent prong of the inequitable conduct test, the Federal Circuit reversed those findings and conclusions. Further, since the Federal Circuit vacated the trial court’s determination of unenforceability due to inequitable conduct for multiple errors, it also vacated the exceptionality finding and the grant of attorney fees. As the record showed many potential issues of fact that would prevent entry of summary judgment, the Federal Circuit also remanded both matters for a proper determination on the merits.

TRIAL COURT ORDERED NOT TO RECONSIDER
CASE SINCE STATEMENTS EVIDENCE BIAS

Finally, the Federal Circuit decided that the expressed convictions of the trial court may not be easily and objectively reconsidered on remand. As such, the Federal Circuit found that the case met the “unusual circumstances” required by the Ninth Circuit’s test for request to transfer to a different judge. Accordingly, the Federal Circuit remanded to the Chief Judge of the District Court for the District of Arizona to determine the reassignment of the case for a proper determination of validity and infringement on the merits.

SIGNIFICANCE TO PATENT APPLICANTS

RCT represents a divergence from the Federal Circuit’s recent trend to ignore, for purposes of inequitable conduct, any need for intent in determining fraud on

the patent office. Instead, as noted by the dissent in *Aventis Pharma S.A. v. Amphastar Pharmaceuticals, Inc.*, 525 F3d 1334, 87 USPQ2d 1110 (Fed. Cir. 2008) discussed previously in STEIN, MCEWEN & BUI LLP NEWSLETTER (Vol. 4, Iss. 2)(June 2008), ignoring the requirement for intent and focusing on non-duplicative art for purposes of finding inequitable conduct encourages frivolous inequitable conduct charges. Instead, the Federal Circuit in *RCT* reminds that there must be evidence of intent and materiality, and not mere speculation. Moreover, given the importance of publication to many researchers in the academic community, the Federal Circuit's finding, that post filing publication activity does

not, without more, evidence an intent to deceive and does not show materiality, should encourage researchers to continue publication of their ongoing work on inventions for which patent protection is sought. A contrary ruling would have had a significant chilling activity on post-filing research publications since all such publications would inevitably be used for purposes of rendering the prior-filed patent unenforceable. By requiring additional evidence beyond evidence of post filing research, the Federal Circuit helped to reduce the number of frivolous inequitable conduct defenses that would otherwise affect the academic community.

DISTRICT COURT CASES OF NOTE: DISTRICT COURT FINDS DILUTION BY TARNISHMENT AND RETROACTIVE EFFECT OF THE TRADEMARK DILUTION REVISION ACT

In *V Secret Catalogue Inc. v. Moseley*, 87 USPQ2d 1240 (W.D. KY. 2008), the District Court for the Western District of Kentucky addresses trademark dilution under the recently amended Trademark Dilution Act. The owners of the "Victoria's Secret" mark sought to enjoin the use of their mark by a small adult shop called "Victor's Secret." Victoria's Secret is a famous trademark used on a variety of women's products, most notably undergarments. For many in the U.S., the name is the first brand to come to mind in regards to women's underwear. The Moseleys opened their own store in Kentucky, selling "intimate lingerie" and "adult novelties/gifts" under the mark "Victor's Secret." A retired army colonel saw an ad for Victor's Secret and was offended by what he saw as an attempt to use the Victoria's Secret mark to sell "unwholesome, tawdry merchandise." He wrote to V Secret to inform them of the Moseleys' use of their mark. V Secret then brought suit against the Moseleys alleging trademark infringement, unfair competition, and trademark dilution under the Federal Trademark Dilution Act.

In the initial trial during February 2000, the Western District of Kentucky ruled in favor of the Moseleys on the issues of infringement and unfair competition, but granted summary judgment in favor of V Secret on the dilution claim. *V Secret Catalogue Inc. v. Moseley*, 54 USPQ2d 1092 (W.D. KY. 2000). The District Court pointed out that "[c]ourts have frequently enjoined the 'tarnishment' of a mark through association with unsavory goods, persons, or services." *V Secret*, 87 USPQ2d at 1243. The court saw the sale of adult videos and sex toys under a similar mark as tarnishing the

Victoria's Secret mark. The Moseleys appealed to the Sixth Circuit, who affirmed the grant of summary judgment. *V Secret Catalogue Inc. v. Moseley*, 59 USPQ2d 1650 (6th Cir. 2001). The Sixth Circuit discussed two issues unaddressed by the District Court: distinctiveness and the requirement that dilution had actually occurred. The Sixth Circuit held that Victoria's Secret was indeed a distinctive mark and that there was only a requirement of likelihood of dilution. In light of a split of authority on the question of actual dilution, the Moseleys sought and the United States Supreme Court granted certiorari to consider this issue.

In its ruling on March 4, 2003 in *Moseley d/b/a Victor's Little Secret v. V Secret Catalogue, Inc.*, 537 US 418, 65 USPQ2d 1801 (2003), the Supreme Court held that actual dilution was required to bring a claim under the Federal Trademark Dilution Act as it then existed. The case was remanded to the Sixth Circuit where it sat for four years before it was remanded back to the District Court in July 2007.

In 2006, Congress reacted to the Supreme Court's decision in *Moseley* by passing the Trademark Dilution Revision Act of 2006 ("TDRA"). Pub. L. No. 109-312, 120 Stat. 1730 (2006) (codified at 15 U.S.C. § 1125(c)). This amendment had two major effects. First, it changed the language to reflect that dilution was only available for marks famous to the "general consuming public." Second, Congress broadened the actual dilution requirement, stating that an alleged diluting use must only be likely to cause dilution, thereby negating the Supreme Court's interpretation that only actual dilution was actionable under 15 U.S.C. § 1125(c).

Faced with this changed law and the case on remand, the District Court held:

In light of this provision, we are faced with an order of the Court of Appeals remanding the case to us to apply law which has been superseded. The Sixth Circuit has held that the law of the case doctrine is inapplicable where a subsequent contrary view of the law by controlling authority occurs. United States v. Moored, 38 F.3d 1419, 1421 (6th Cir. 1994). We find that the Moseley “actual dilution” standard is thus no longer the law of the case.

V Secret, 87 USPQ2d at 1244 (W.D. Ky. 2008). Thus, the District Court held the case would be decided under the amended language which removed the actual dilution standard. The court noted that “‘relief by injunction operates in futuro and the right to it must be determined as of the time of the hearing.’ See, *Louis Vuitton Malletier v. Haute Diggity Dog, LLC*, 464 F.Supp.2d 495, 81 USPQ2d 1064 (E.D.Va. 2006).” *V Secret*, 87 USPQ2d at 1244. Noting approval of the underlying rationale by the Sixth Circuit, the court determined that it would use the TDRA to determine whether or not *V Secret* should be granted injunctive relief.

As the sole issue appealed to the Supreme Court was the issue of actual dilution, the factual findings of the original District Court proceedings remained viable, such as that *Victoria’s Secret* is a “famous” and “distinctive” mark. Moseley attempted to argue that the Supreme Court had found that there was no evidence of any dilution at all, but the District Court quickly rejected this argument. Specifically, the District Court found that the Supreme Court had merely found that actual dilution did not exist and had made no findings as to likelihood of dilution. *V Secret*, 87 USPQ2d at 1245-46.

While using some of the previous findings of fact, the court considered the case under the TDRA anew as the FTDA was old law. “However, the findings from both courts under the FTDA are so much flotsam and jetsam, having been jettisoned from the ship of the FTDA now sunk in the sea of new dilution law. Summary judgment was reversed. On remand, we have a dilution claim under the TDRA which must be analyzed without regard to the former findings.” *Id.*

DILUTION UNDER THE TRADEMARK DILUTION

REVISION ACT

The TDRA provides, in pertinent part:

Subject to the principles of equity, the owner of a famous mark that is distinctive, inherently or

through acquired distinctiveness, shall be entitled to an injunction against another person who, at any time after the owner's mark has become famous, commences use of a mark or trade name in commerce that is likely to cause dilution by blurring or dilution by tarnishment of the famous mark, regardless of the presence or absence of actual or likely confusion, or of actual economic injury.

... For purposes of paragraph (1), “dilution by blurring” is association arising from the similarity between a mark or trade name and a famous mark that impairs the distinctiveness of the famous mark. In determining whether a mark or trade name is likely to cause dilution by blurring, the court may consider all relevant factors, including the following:

- (i) The degree of similarity between the mark or trade name and the famous mark.
- (ii) The degree of inherent or acquired distinctiveness of the famous mark.
- (iii) The extent to which the owner of the famous mark is engaging in substantially exclusive use of the mark.
- (iv) The degree of recognition of the famous mark.
- (v) Whether the user of the mark or trade name intended to create an association with the famous mark.
- (vi) Any actual association between the mark or trade name and the famous mark.

... For purposes of paragraph (1), “dilution by tarnishment” is association arising from the similarity between a mark or trade name and a famous mark that harms the reputation of the famous mark.

15 U.S.C. § 1125(c).

Thus, in order to establish entitlement to injunctive relief, the District Court found that a plaintiff must show that (1) its mark is famous; (2) its mark is distinctive; (3) Defendant began using the mark after Plaintiff’s mark became famous; and (4) Defendant’s use of the mark is likely to cause dilution of Plaintiff’s mark by blurring or by tarnishment of the mark. *V Secret* at 1247.

ANALYSIS OF FAME FOR TDRA

Trademark dilution exists to protect marks so famous that even non-infringing uses cause them to lose value. Typical trademark infringement actions are limited to the industry within which the mark is used. Trademark dilution, on the other hand, is a powerful form of

protection because it allows one to reach outside of one's industry to enjoin the use of a mark by another. Due to its powerful nature, claims of trademark dilution require that the asserted mark be famous to the "general consuming public of the United States." 15 USC § 1125(c)(2)(A).

In order to provide additional guidance, the TDRA states that in determining whether a mark possesses the requisite degree of recognition to be considered famous, the court may consider (1) the duration, extent, and geographic reach of advertising and publicity of the mark, whether advertised or publicized by the owner or third parties; (2) the amount, volume, and geographic extent of sales of goods or services offered under the mark; (3) the extent of actual recognition of the mark; and (4) whether the mark was registered. 15 U.S.C. § 1125(c)(2)(A). *V Secret*, 87 USPQ2d at 1248. Though the Moseleys did not challenge the fame of the Victoria's Secret mark, the court discussed briefly how *V Secret* clearly possessed a famous mark.

One piece of evidence cited by the court to distinguish Victoria's Secret as a famous mark was the existence of over 1,000 retail stores throughout the United States selling a wide range of products. Another fact used by the court to establish the mark's fame was the success of its online store. The court further cited Victoria's Secret was also ranked one of the top brands for women's apparel in a study. Further evidence of fame relied upon by the court was supported by sales numbers and advertising expenditures. *V Secret*, 87 USPQ2d at 1248.

DISTINCTIVENESS AND USE FOR PURPOSES OF THE TDRA

The court noted that "the Act defines dilution by blurring as an association arising from the similarity between a mark and a famous mark which impairs the distinctiveness of the famous mark. 'There can be no dilution of a mark's distinctive quality unless the mark is distinctive.'" *Id.* (citing *Nabisco, Inc. v. PF Brands, Inc.*, 191 F.3d 208, 216). However, the Moseleys did not contest the distinctiveness of the mark, so the issue was not carried further. There also was no question as to the use of the mark by plaintiffs prior to the Moseleys' use.

DILUTION BY BLURRING UNDER THE TDRA NOT FOUND WHERE COMPLAINT LETTER DID NOT EVIDENCE CONFUSION OR ATTRIBUTION

The TRDA defines two ways a mark can be diluted: blurring and tarnishment. The TDRA defines "dilution by blurring" as an association arising from the similarity between a mark and a famous mark that impairs the distinctiveness of the famous mark. 15 U.S.C. §

1125(a)(2)(B). "Dilution by blurring occurs when consumers mistakenly associate a famous mark with goods and services of a junior mark, thereby diluting the power of the senior mark to identify and distinguish associated goods and services." *Ringling Bros. - Barnum & Bailey Combined Shows, Inc. v. Utah Division of Travel Dev.*, 955 F. Supp. 605, 615, 42 USPQ2d 1161 (E.D.Va. 1997), citing, *Mead Data Cent., Inc. v. Toyota Motor Sales U.S.A., Inc.*, 875 F.2d 1026, 1031, 10 USPQ2d 1961 (2d Cir. 1989)).

The court recognized five factors relevant in determining the likelihood of dilution by blurring under the TDRA, and each is discussed below. *V Secret*, 87 USPQ2d 1249.

The first factor discussed by the court was the similarity between the marks in question. While not specified in the statute, courts have determined this requirement to mean that the marks must be identical or substantially similar. *Nike, Inc. v. Nikepal International, Inc.*, 2007 WL 2782030, *6 (E.D.Cal. 2007). "Victor's Secret" and "Victoria's Secret" were found to be substantially similar.

The second factor is the distinctiveness of the famous mark. Protecting a non-descript mark from dilution would likely be against the public interest. The law does not seek to grant users of generic marks exclusive rights to the term. "Victoria's Secret" was found distinctive at the appellate court, and the District Court here deferred to the higher court's decision.

The third factor is substantially exclusive use of the mark. As noted in *Nikepal*, "the law does not require that use of a famous mark be absolutely exclusive, but merely 'substantially exclusive.'" *Nikepal*, 2007 WL 2782030 at *7. *V Secret* aggressively policed use of its mark, and the Moseleys did not dispute plaintiff's substantially exclusive use of the mark.

The fourth factor is consumer recognition of the mark. The court offered the commercial success of the retail stores, catalogs, and internet store as a measure of recognition of the brand. *V Secret*, 87 USPQ2d at 1251. The court also laid out some other examples of national recognition, including advertisements in national magazines, a televised fashion show, and television program appearances. *Id.* The court found that the mark had a high degree of recognition.

The fifth factor is an intent to associate with the famous mark. While the Moseleys denied ever having heard of "Victoria's Secret," claiming that the name came from the fact that Victor Moseley started the shop as a side job (a 'secret' from his employer), the court was not convinced. The similarity of the marks created a

presumption of the Moseleys' knowledge of the senior mark. In addition, Victoria's Secret branded shops and advertising were pervasive in the Louisville region where the Moseleys conducted business. Further, it was revealed that Mr. Moseley was actually unemployed prior to opening the store. The court concluded that the Moseleys intended to associate with the famous mark.

While Victor's Secret impinged on all the blurring factors noted above, likelihood of blurring was not found to exist. This is because the only evidence of blurring introduced by V Secret was the army colonel's letter. The court found that the army colonel's report was not evidence of blurring as the colonel was writing to inform plaintiff of use of a similar mark on tawdry goods. The colonel did not think that Victor's Secret was a Victoria's Secret shop, he was just offended by the association he saw defendants trying to create. This, to the court, actually was evidence of a lack of blurring. *V Secret*, 87 USPQ2d at 1252.

The evidence of the colonel's reaction does not establish that defendant's use of the mark served to hamper the distinctiveness of the famous mark. Victor's Secret did not lessen the distinctive value of the Victoria's Secret mark. "The offended colonel wrote to V Secret not to say 'stop selling sex toys,' but rather to alert them that their mark was being associated with an establishment selling such items in derogation of their name. Thus we have evidence not of blurring, but of tarnishment." *Id.*

DILUTION BY TARNISHMENT USING SINGLE COMPLAINT LETTER

The TDRA defines "dilution by tarnishment" as an "association arising from the similarity between a mark ... and a famous mark that harms the reputation of the famous mark." 15 U.S.C. § 1125(c)(2)(C). Dilution by tarnishment "generally arises when the plaintiff's trademark is linked to products of shoddy quality, or is

portrayed in an unwholesome or unsavory context likely to evoke unflattering thoughts about the owner's product." *Diane Von Furstenberg Studio v. Snyder*, 2007 WL 2688184 (E.D.Va. Sept. 10, 2007) at *4, quoting, *Deere & Co. v. MTD Prods.*, 41 F.3d 39, 43 [32 USPQ2d 1936] (2d Cir. 1994).

"The army colonel's offended reaction to the use of 'Victor's Secret,' what he clearly believed to be a bastardization of the VICTORIA'S SECRET mark, for the promotion of 'unwholesome, tawdry merchandise,' suggests the likelihood that the reputation and standing of the VICTORIA'S SECRET mark would be tarnished." *V Secret*, 87 USPQ2d at 1253. The evidence that defendant used the mark on generally unsavory products which plaintiff sought to avoid was clear evidence of tarnishment.

Having met the factors laid out in the statute as to fame and time of use, the court's finding of dilution by tarnishment entitled V Secret to injunctive relief. The District Court therefore granted summary judgment to V Secret and issued a permanent injunction barring the Moseleys from using the mark.

SIGNIFICANCE TO TRADEMARK OWNERS

As one of the few decisions finding dilution under the TDRA, *V Secret Catalogue* provides a road map on what types of evidence are needed in order to demonstrate the numerous factors outlined by Congress to show dilution. Of special interest is the fact that, while dilution by blurring requires evidence of widespread confusion, dilution by tarnishment requires less evidence of true confusion and can be supported by minimal evidence of brand disparagement. As such, when crafting a complaint for dilution, special consideration should be given as to whether the infringing conduct could be said to cast aspersions on the infringed mark and whether non-confused consumer complaints exist to support such a charge.

SPECIAL OFFER ON INTELLECTUAL PROPERTY AND GOVERNMENT CONTRACTS TREATISE

Slated for release in early 2009 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: Protecting And Enforcing IP At The State And Federal Level* 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 *Intellectual Property In Government Contracts: Protecting And Enforcing IP At The State And Federal Level*, please contact customer service at 1.866.445.8685, or visit Oxford University Press online at <http://www.oup.com/us/catalog/general/subject/Law/IntellectualProperty/IntellectualProperty/?view=usa&ci=9780195338560>. Enter promotion code 26797 and save 20% off of the normal price.

APPLICANTS ARE REMINDED OF NEW USPTO FEES

In order to account for changes in the Consumer Price Index (CPI), the United States Patent and Trademark Office, (USPTO) has proposed new fees for patent filings. While previously reported in the STEIN, McEWEN & BUI LLP NEWSLETTER, Vol. 4, Issue 2 (June 2008) as being a 4% projected change in the CPI for 2009 (73 Fed. Reg. 31656 (June 3, 2008)), the final fees reflect a 5% change in the CPI for 2009 73 Fed. Reg. 47534 (August 14, 2008)). These new fees will go into effect on October 2, 2008.

Description	2008-2009 New Fee	2007-2008 Fee
Basic filing fee - Utility	330.00	310.00
Utility Search Fee	540.00	510.00
Utility Examination Fee	220.00	210.00
Independent claims in excess of three	220.00	210.00
Claims in excess of 20	52.00	50.00
Basic filing fee - Design	220.00	210.00
Design Examination Fee	140.00	130.00
Basic filing fee - Reissue	330.00	310.00
Reissue Examination Fee	650.00	620.00
Reissue Search Fee	540.00	510.00
Provisional application filing fee	220.00	210.00
Utility issue fee	1510.00	1,440.00
Design issue fee	860.00	820.00
Statutory disclaimer	140.00	130.00
Extension for response within first month	130.00	120.00
Extension for response within second month	490.00	460.00

Description	2008-2009 New Fee	2007-2008 Fee
Extension for response within third month	1110.00	1,050.00
Extension for response within fourth month	1730.00	1,640.00
Extension for response within fifth month	2350.00	2,230.00
Notice of appeal	540.00	510.00
Filing a brief in support of an appeal	540.00	510.00
Request for oral hearing	1080.00	1,030.00
Filing of PCT application-USPTO ISA-national stage	330.00	310.00
National Stage Search Fee - search report prepared and provided to USPTO	430.00	410.00
National Stage Search Fee - all other situations	540.00	510.00
National Stage Examination Fee - all other situations	220.00	210.00

FEATURE COMMENT: AN OVERVIEW OF THE NEW RULES FOR APPEAL BRIEFS

BY FADI N. KIBLAWI AND JAMES G. McEWEN¹

INTRODUCTION

Beginning on December 10, 2008, the United States Patent and Trademark Office (USPTO) will be implementing new rules applicable to the patent appeals process. Specifically, the new rules will be effective for all appeals filed on or after this date. As such, this rule will potentially affect all pending applications.

According to the USPTO, a major objective of the amended rules for appeals is to avoid unnecessary returns to examiners by the Appeals Center and the Board of Patent Appeals and Interferences, along with the resulting delays in application and appeal pendency. The stipulations of the amended rules are believed by the USPTO to be more objective and, therefore, both appellants and examiners will have a better understanding of what is required. Accordingly, the need to hold appeal briefs defective is intended to be minimized, if not altogether eliminated.

When initially proposed, the patent bar, and specifically the American Bar Association and the American Intellectual Property Law Associate, had strenuously objected to a number of the provisions. Of specific concern was a perceived shift in burden under the rules by which applicants were required to provide additional information on support for the claimed subject matter (and hence providing statements which could be construed to limit the scope of the claims during enforcement),² as well as appendices requirements which included a requirement to attach the entire prosecution history to the appeal brief.³ Additional concerns raised included a number of formatting changes that, while not addressing any perceived problems, would increase the cost to applicants in pursuing an appeal.⁴ While the USPTO did address certain of these concerns, the USPTO substantially adopted the proposed rules in their presented form. As such, the below article presents the new rules and

provides additional detail on significant new elements to be included in the appeal brief.

NEW RULES IN GENERAL

The new rules can be found online at: <http://www.uspto.gov/web/offices/com/sol/notices/73fr32938.pdf>. According to the new rules, non-appealable errors must be resolved by petition prior to filing an appeal to the BPAL. In fact, failure to timely file a petition seeking review of a decision of the examiner related to a non-appealable issue will generally constitute a waiver to have those issues considered. Furthermore, the new rules remove the Summary of Invention (i.e., Summary of Claimed Subject Matter) in the Appeal Brief. Instead, Applicant must file a claims analysis, which is essentially a claim chart indicating “the page line or paragraph after each limitation where the limitation is described in the specification as filed.”

Also, a 30 page limit and 14 point font requirement is set for the Grounds of Rejection, Statement of Facts (new), and Arguments, and new grounds of rejection are no longer permitted in the Examiner’s answer. Similarly, the Examiner’s response to a reply brief is eliminated.

Petitions to exceed the page limit for an appeal brief, reply brief, or request for rehearing are made under Rule 41.3, which requires a \$400 fee. Likewise, petitions for an extension of time to file a reply brief, request for oral hearing, or request for rehearing are also made under Rule 41.3, which requires a \$400 fee. Finally, a list of technical terms or unusual words must be provided to the transcriber at an oral hearing.

As a result of the new rules, a complete appeal brief includes the following, with the more significant changes being highlighted in **bold**:

- i. Statement of the real party in interest
- ii. Statement of related cases
- iii. **Jurisdictional statement**
- iv. **Table of contents**
- v. **Table of authorities**
- vi. Status of amendments
- vii. Grounds of rejection to be reviewed
- viii. **Statement of facts**
- ix. **Argument**
- x. Appendix including
 - i. Claims section
 - ii. **Claim support and drawing analysis section**

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

² Letter from ABA to USPTO Re: Proposed Changes to the Rules of Practice Before the Board of Patent Appeals and Interferences in Ex Parte Appeals (Sept. 28, 2007).

³ Letter from AIPLA to USPTO Re: Comments on Proposed Rule: “Rules of Practice Before the Board of Patent Appeals and Interferences in Ex Parte Appeals” (Sept. 28, 2007).

⁴ *Id.*

- iii. **Means or step plus function analysis section**
- iv. Evidence section
- v. Related cases section

The bolded sections will be discussed below in greater detail.

FORMATTING CHANGES

As a result of the new rules, the format of the appeal brief will be changed. Specifically, under 37 CFR 41.37(v), there is a limit on the number of pages: 30 for the Grounds of Rejection, Statement of Facts, and Arguments. There is a required font size: 14 point and lines must be double spaced.⁵ Both of these formatting changes are designed to force more concise appeal briefs in a manner more consistent with Federal Court practice, but which was never a requirement in *ex parte* appeals before the Board.

Another change will be requirements for a Jurisdictional statement, a Table of Contents for both the Appeal Brief and the Evidence section, and a Table of Authorities. While the AIPLA objected to these provisions as adding costs to the process without discernable benefit, the USPTO adopted the rules. The Jurisdictional Statement should be uniform since all appeals during examination will be pursuant to 35 U.S.C. §134, and therefore should not result in the complained of cost increase. However, while commercial programs such as Microsoft Word allow the automatic generation of Tables of Contents and Tables of Authorities, the use of these features will require retraining of personnel, and thus result in increases in cost of filing the appeal.

Lastly, there is now a requirement in 37 CFR 41.37(v)(1) that all pages, including appendices, be sequentially numbered. While not a significant problem for the brief itself, for the appendices and documents submitted with the appeal brief, this numbering element will likely catch many practitioners by surprise as it is a new requirement and is not easily rectified outside of purchasing new software which allows Bates labeling of documents.

STATEMENT OF FACTS

Under the new rules, the applicants are now required to provide a statement of facts. Specifically, under 37 CFR 41.37(n), applicants are to provide, in "an objective and non-argumentative manner the material facts relevant to the rejections on appeal." Moreover, applicants will be required to cite support in the record for the facts presented in the statement of facts, as well as provide "where applicable, a specific line or paragraph, and

drawing numerals." The USPTO believes that such a requirement is not burdensome and is advantageous in many ways. Specifically, the USPTO touts the advantage as follows:

A well-written statement of facts can tell a "story" in an objective manner, particularly when each statement of fact is supported by a citation to a specific portion of the evidence. Often telling the story objectively convinces the trier of fact of the merit of a position. After reading an objective concise statement of facts, it is not unusual for a trier of fact to look with anticipation for an answer.⁶

To the extent that the USPTO extols these virtues, applicants are going to need to understand the downsides of such story telling. First, since the Examiner is usually given the discretion to determine whether an Appeal Brief complies with the rules, Examiners may be tempted to use the "objective" requirement in order to improperly reject Appeal Briefs as not complying with the applicable rules, thereby increasing the pendency and cost. Such a temptation may exist where the Examiner has not timely responded to an Appeal Brief or where the Examiner does not want, for whatever reason, to allow a case to go to appeal but also refuses to issue a notice of allowance.

Second, the statement of facts will be fertile grounds for charges of inequitable conduct since the story being told will necessarily be concise, thereby leaving out portions of the prosecution which do not appear during prosecution to be significant but which a litigator will latch onto during litigation as being significant omissions which misled the Board. Thus, the statement of facts will need to be carefully constructed, thereby increasing the costs of filing the appeal brief.

ARGUMENT

Under existing rules, applicants were able to present arguments on appeal without detailing whether such arguments were presented during prosecution. Any Examiner response would therefore be included in the Examiner's Answer. However, the revised rules, 37 CFR 41.37(o), require applicants to specify whether and where such arguments were presented during prosecution. In this way, the Board will be able to determine what issues have been considered by the Examiner and what arguments are newly presented. Lastly, in order to prevent new arguments to be raised during oral argument, 37 CFR 41.37(o) cautions that any "finding made or conclusion reached by the examiner that is not challenged will be presumed to be correct."

⁵ An exception is made for block quotes, which need only be 1.5 spacing, as well as for headings. 37 CFR 41.37(v)(2).

⁶ Federal Register, Vol. 73, No. 112, p. 32960 (June 10, 2008).

As such, within the space constraints allowed under the new formatting rules, applicants will have to ensure that all reasonable traversals of an Examiner's position are presented or risk losing an opportunity to bring up the argument later at oral argument.

***CLAIM SUPPORT AND DRAWING ANALYSIS
SECTION***

Under the existing appeal rules at 41 CFR 41.37(c)(v), applicants were required to provide a summary of the invention including a "concise explanation of the subject matter defined in each of the independent claims involved in the appeal, which shall refer to the specification by page and line number, and to the drawing, if any, by reference characters." This requirement has proven troublesome as each Examiner appears to have a different interpretation of this rule, resulting in applicants having Appeal Briefs rejected for failure to comply with this rule. As such, the USPTO has replaced this requirement with a requirement for a new claim support section.

Under 37 CFR 41.37(r), applicants are required to provide, for each appealed claim being argued separately, a marked up copy of the claim "indicating in boldface between braces ({ }) the page and line or paragraph after each limitation where the limitation is described in the specification as filed." As such, the claims support appendix will provide a more focused explanation of the claims as compared to the existing summary of invention, and will be subject to fewer disputes. However, as with the statement of facts section, the annotation of the claims will provide tempting grounds during litigation for arguing that a particular limitation is limited only to the specific example cited in the appendix. Thus, the claim support section will need to be carefully constructed to ensure that a narrow interpretation of the claims is not

inadvertently created, thereby increasing the costs of filing the appeal brief.

**vi. Means or step plus function analysis
section**

Under existing appeal rules, applicants were required to provide support for any means or step plus function limitations within the summary of the invention. This requirement has been generally maintained, but has been given its own appendix. As in the claim support and drawing analysis section, such a limitation is to be set forth in "an annotated copy of the claim ... indicating in boldface between braces ({ }) the page and line of the specification and the drawing figure and element numeral that describes the structure, material or acts corresponding to each claimed function." 37 CFR 41.37(s). While seemingly redundant in view of the claim support and drawing analysis section, the separate designation should help the Board distinguish between regular claims and those relying upon 35 U.S.C. §112, ¶6.

CONCLUSION

Whether applicants agree or disagree, on December 10, 2008, the new appeal rules are going to be implemented and there is little indication that the patent bar will go to court to attempt to stop the implementation of these rules. As such, applicants can expect to pay additional attorneys fees in order to obtain the broadest possible coverage for an invention and to obtain relief from unsupportable rejections. Thus, where an application is currently rejected improperly, applicants may well be advised to file the appeal as soon as possible in order to avoid these costs as well as to avoid some of the above-described risks in complying with these new rules during later enforcement.

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
