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Federal Circuit Invalidates Software Claim for Indefiniteness

Federal Circuit Finds Means plus Function Element in Claim Indefinite Since Specification Did Not Describe Structure in Specification

In *Blackboard, Inc. v. Desire2Learn Inc.*, 91 U.S.P.Q.2D 1481 (Fed. Cir. 2009), the Court of Appeals for the Federal Circuit (CAFC) deliberated on two issues raised by the respective parties on appeal from the United States District Court for the Eastern District of Texas. Specifically, Desire2Learn contested the district court's holding of infringement of claims 36-38 of Blackboard's U.S. Patent No. 6,988,138, which relates to an Internet-based educational support system and corresponding methods. In turn, Blackboard cross-appealed the District Court's ruling, on summary judgment, that claims 1-35 of the '138 patent are indefinite.

Single login feature

Turning to the first issue, Desire2Learn argued that claims 36-38 do not include a "single login" limitation for the recited method of providing an online education system, and thus were anticipated by two prior art references. The '138 patent discloses a system that allows for online management of information relating to individual courses. Of particular benefit is the ability to allow a user to use a single login to access multiple courses with multiple respective roles in those courses (i.e., the "single login" limitation). For example, a graduate student who is a student in a first course and a teacher in a second course could use a single login to access both courses and access materials for both courses according to the corresponding role of the graduate student in the respective course.

Blackboard asserted that the "single login" feature is its patent's essential improvement over prior art systems, and is recited in every claim including independent claim 36 (from which claims 37 and 38 depend).

Claim 36 recites:

> An [sic] method for providing online education... comprising the steps of:
>
> establishing that each user is capable of having redefined [sic: "predefined"] characteristics indicative of multiple predetermined roles in the system and each role providing a level of access to and control of a plurality of course files;
>
> ...
>
> providing a predetermined level of access and control over the network to the course files to users with an established role as a student user enrolled in the course; and
>
> providing a predetermined level of access and control over the network to the course files to users with an established role other than a student user enrolled in the course.

Though claim 36 does not explicitly provide for a single login, Blackboard argued that such a single login is required because the term "user" refers to an electronic user account that is defined by a single user name and password combination. Thus, the user being capable of having multiple roles is an electronic user having a single name and password combination, i.e., a single login.

For support, Blackboard pointed to the specification, which sometimes uses the word "user" to ostensibly refer to an electronic representation of a person. However, the Federal Circuit (Judges Bryson and Moore, and Cudahy by designation) disagreed. Specifically, the Federal Circuit reasoned that the specification typically uses the term "user account" to refer to the electronic representation of the user. Moreover, aside from a few shorthand references, the specification also typically uses the term "user" to refer to a flesh-and-blood person. Also, of the four embodiments described in the specification, only one includes the single login feature. Therefore, the Federal Circuit found that specification does not require that the recited "user" necessarily refers to an electronic user in the context of a single login.

The Federal Circuit further reviewed other claims and noted the relationship between claim 1 of the '138 patent and claims 24 and 25 which depend from claim 1. While claim 1 includes the same pertinent language as claim 36, dependent claims 24 and 25 recite the single login limitation. Thus, the Federal Circuit reasoned that as claim 1 cannot be construed to require a single login without making claim 25 redundant, claim 36, too, does not require the single login. Therefore, in its decision, the Federal Circuit affirmed that a dependent claim adding a particular limitation gives rise to the presumption that the limitation is not present in the independent claim.

As a result, the Federal Circuit held that, as there was not recited single login feature, claims 36-38 were invalid for anticipation by prior art systems.

Indefiniteness

Turning now to the 35 U.S.C. 112 issue, Blackboard challenged the district court's invalidation of claims 1-35 as indefinite. Referring to independent claim 1 as representative (claims 2-35 depend from claim 1), claim 1 includes four means-plus-function clauses, including "means for assigning a level of access to and control of each data file based on a user of the system's predetermined role in a course." As the limitation is written in means-plus-function form, it is construed to cover only the structure described in the specification and equivalents thereof, as prescribed by 35 U.S.C. 112, paragraph 6.

Blackboard argued that the structure performing the assigning function is a software feature known as the "access control manager" (ACM), which is described in only one paragraph of the specification:

> Access control manager 151 creates an access control list (ACL) for one or more subsystems in response to a request from a subsystem to have its resources protected through adherence to an ACL. Education support system 100 provides multiple levels of access restrictions to enable different types of users to effectively interact with the system (e.g. access web pages, upload or download files, view grade information) while preserving confidentiality of information.

The Federal Circuit upheld the district court's decision that claims 1-35 are indefinite, because the specification failed to sufficiently describe the means by which the ACM creates an ACL. In particular, the Federal Circuit decided that the lone paragraph describing the ACM does not describe a structure, but merely puts forth an abstraction defined only by a function. That is, "[t]he specification contains no description of the structure or the process that the access control manager uses to perform the 'assigning' function. Nor has Blackboard ever suggested that the 'access control manager' represents a particular structure defined other than as any structure that performs the recited function."

Blackboard argued that reference to a general-purpose computer satisfies the requisite structural disclosure for the means-plus-function limitation. Citing *Aristocrat Techs. Austl. PTY Ltd. V. Int'l Game Tech.*, 521 F.3d 1328, 1334 (Fed. Cir. 2008), the Federal Circuit countered that relying on a general structure is equivalent to saying "that the function is performed by a computer that is capable of performing the function." Moreover, citing *Net MoneyIN, Inc. v. VeriSign, Inc., 545 F.3d 1359, 1367 (Fed. Cir. 2008)*, the Court further noted that "when a computer is referenced as support for a function in a means-plus-function claim, there must be some explanation of how the computer performs the claimed function." In other words, the Federal Circuit concluded that the specification only describes the function to be performed, but says nothing about how the ACM performs the function (i.e., how the ACM creates the ACL).

Blackboard also argued that the process of creating an ACL through software is well known to one of ordinary skill in the art. The Federal Circuit was unmoved by this argument, emphasizing that the question before it is not the ability of one of ordinary skill in the art, but whether the specification sufficiently describes a corresponding structure to a claimed means. In particular, the Court asserted that a patentee cannot avoid sufficiently disclosing a structure because

someone of ordinary skill in the art could come up with a means to perform a claimed function. "That ordinarily skilled artisans could carry out the recited function in a variety of ways is precisely why claims written in 'means-plus-function' form must disclose the particular structure that is used to perform the recited function."

Thus, in holding claims 1-35 to be indefinite, the Federal Circuit concluded that Blackboard is attempting to capture any possible means for performing the assigning function, in violation of 35 U.S.C. 112, by disclosing the means only as a general structure to perform the function.

Significance for Patent Applicants

As set forth below in the feature comment *The Heightened Disclosure Requirement for Software Claimed Using Means-Plus-Function Limitations*, when describing an invention which is realized using software, it is important that the specification provide a heightened level of detail. While there is no brightline test, this detail must be more than merely an indication that the particular module can be implemented using a general purpose computer. Instead, the patent applicant needs to provide details as to how the module operates or is constructed, possibly through the use of flowcharts. While seemingly limited to limitations relying on 35 U.S.C. 112 ¶6, it is possible that this logic could be extended to other types of functionally-described elements. Such a potential would appear to be higher during prosecution where the Examiner is entitled to take a broader interpretation of the claims, as demonstrated by the Board of Patent Appeals and Interferences in *Ex parte Kenichi Miyazaki*, 89 USPQ2d 1207 (BPAI 2008). Thus, while it is unlikely that levels of detail such as copies of source code would be required, when drafting applications which are being implemented using software, applicants need to ensure that the specification includes structural detail as to the implementation of the software modules.

Federal Circuit Clarifies State Foreclosure Laws Can Transfer Patent Ownership

In *Sky Technologies LLC v. SAP AG*, 576 F.3d 1374; 91 USPQ2d 1854 (Fed. Cir. 2009), Jeffery Conklin is the inventor for U.S. Patent Nos. 6,141,653; 6,336,105; 6,338,050; 7,162,458; and 7,149,724. Mr. Conklin assigned the patents to TradeAccess, Inc. in 1996, which was later renamed to Ozro, Inc. Ozro subsequently entered into two security agreements in which the patents were put up as collateral: one to Silicon Valley Bank (SVB), the other to Cross Atlantic Capital Partners, Inc. (XACP). SVB later transferred its interest in the patents to XACP. The agreements allowed the creditors to take possession of the patents at suit in the event of a default. The XACP agreement also permitted XACP to dispose of its interest in the patents via a public sale. Both of these agreements were recorded in the U.S. Patent and Trademark Office.

Ozro later defaulted on the agreements, and XACP foreclosed. Meanwhile, the inventor formed a new company, Sky Technologies (the plaintiff), and entered into an agreement in which XACP would attempt to obtain ownership of the patents via the public sale and assign ownership of the patents to Sky Technologies. The attempt was successful: XACP bought the patents at the public sale and executed a written assignment assigning the patents to Sky Technologies. However, at no point during the foreclosure proceedings did Ozro (the prior assignee) execute a written document transferring ownership of the patents to XACP.

A few years after the assignment from XACP, Sky Technologies filed the instant infringement suit against SAP in the Eastern District of Texas. SAP moved to dismiss the suit for lack of standing, arguing that since there was no written assignment between Ozro and XACP as a result of the foreclosure proceedings, the transfer was not effective, and thus the subsequent transfer to Sky was also ineffective. The district court denied the motion, relying upon the recent decision of the Federal Circuit in *Akazawa v. New Link New Tech. Int'l, Inc.*, 86 U.S.P.Q. 2d 1279 (Fed. Cir. 2008). In *Akazawa*, the Federal Circuit ruled that not all transfers of ownership need to be in writing, and specifically that a transfer of ownership by operation of law (probate in the *Akazawa* case) does not require a writing.

On appeal, the Federal Circuit noted that Federal law provides that assignments of patents must be in writing. 35 U.S.C. § 261. In the *Akazawa* decision, the Federal Circuit held that not all transfers of ownership were assignments. *Akazawa*, 86 U.S.P.Q.2d at 1281. Transfers of ownership other than assignments, such as transfers by operation of law, do not require a writing. *Id.* at 1281. In the *Akazawa* case, the inventor (and patent owner) died intestate. According to the agreement of the inventor's wife and daughter, ownership of the patent was transferred to the inventor's wife. *Id.* at 1281. The Federal Circuit held that the transfer of patent owner through intestacy was

not a patent assignment and thus did not require a writing. *Id*.

SAP argued that the wife of the inventor in the *Akazawa* case was an "heir", or one of the enumerated classes of persons who can receive ownership of a patent through operation of law. According to SAP, 35 U.S.C. § 154 provides that patents can be owned by one of three classes of individuals: patentees, their heirs, or assigns (assignees). The wife of Akazawa was an "heir" and thus eligible for a transfer of ownership without an assignment. In contrast, SAP argued that Sky Technologies was neither the patentee nor an heir, and thus must be an assignee.

The Federal Circuit rejected this distinction. The Federal Circuit found no restriction of the patent ownership in 35 U.S.C. § 154. Furthermore, the Federal Circuit held that 35 U.S.C. § 261 did not pre-empt state law on the question, because the federal statute was limited only to assignments, and did not address other forms of ownership transfer.

The Federal Circuit then turned to the pertinent state law on the matter, in this case the Massachusetts Uniform Commercial Code (UCC). Under the Massachusetts UCC §§ 9-610 & 617, once a secured party disposes of the collateral after default, the subsequent transferee takes all of the debtor's rights in the collateral. XACP complied with all of the requirements not only of the security agreement between Ozro and XACP, but also of the Massachusetts UCC. Thus, XACP, being the purchaser of the patent at the public sale, obtained title to the patents by operation of law. The Federal Circuit also found no separate requirement for a writing in Massachusetts law. Although the Massachusetts UCC does permit a written "Transfer of Ownership", this document is an option, not a requirement.

The Federal Circuit found several policy justifications to support their ruling. If a writing were required for foreclosure of security interests such as those at issue in *Sky Technologies*, a large number of existing patent titles subject to security interests could be invalidated. Furthermore, patent owners would be limited in their ability to use patents as collateral, thereby reducing the value of patents overall. Finally, in many cases a business may cease to exist following a foreclosure, making a writing difficult or impossible to obtain. Thus, the Federal Circuit upheld the district court's decision in finding that the transfer was valid and that Sky Technologies was the current owner of the patents.

Significance to Patent Owners

In *Sky Technologies*, the Federal Circuit's loosening of the requirements for a writing represents an attempt to update patent law for the modern era of securities. The decision thus presents greater flexibility to patent owners to make use of their patents as collateral for financing arrangements. As noted by the Federal Circuit, this flexibility can be advantageous in the current environment, where lenders may be hesitant to finance an operation absent a significant amount of collateral, such as a patent right.

The case also clarifies that other ownership transfers which occur through operation of law, such as those required under 35 U.S.C. § 202, should not require a written assignment. In rejecting SAP's contention that patent ownership was limited only to patentees, heirs, and assigns, the Federal Circuit prevented incongruous situations in which technical ownership would pass but, due to a refusal of the patent owner to execute a written agreement, the new owner would not receive the benefits of ownership including the right to enforce the patent.

Lastly, the Federal Circuit's interpretation is in keeping with the patent statute. As one commentator pointed out, the patent statute at 35 U.S.C. § 100 defines a patentee as not only the person to whom the patent was issued, but also that person's successors in title. *See* Dennis Crouch, *Federal Circuit Rejects Challenge to Patent Rights Obtained Through Foreclosure* (available at http://www.patentlyo.com/patent/2009/08/federal-circuit-rejects-challenge-to-patent-rights-obtained-through-foreclosure.html) (Aug. 20, 2009). Thus, the Federal Circuit's decision is consistent with the definitions included in the remainder of Title 35.

2nd Circuit Affirms Trademark Infringement and Dilution Suit Based on the Removal of Unique Production Codes from Gray-Market Goods

In *Zino Davidoff SA v. CVS Corp.*, 91 USPQ2d 1038 (2d Cir. 2009), Davidoff owned uncontested trademarks for all of its COOL WATER products, which are high-end luxury colognes. The products are manufactured and marketed by Coty, Inc. ("Coty") and its subsidiaries, under license from Davidoff.

Davidoff and Coty developed comprehensive quality assurance and anti-counterfeit measures that involved the placement of a unique production code (UPC) on the bottom of each COOL WATER product. Embedded within the code is information about that particular unit, including time and place of production, the production line, ingredients used, the distributor and intended customer.

The code is an effective tool in fighting counterfeits and ensuring product quality. By checking the code to determine if it is fake or duplicate, Davidoff is able to identify counterfeit products. Further, Davidoff regularly instructs its retailers and officers of the U.S. Customs and Border Protection ("Customs") in the use of its UPC system and fake UPC numbers known to be in use by counterfeiters. The code assists Davidoff in protecting its brand against quality issues in genuine authorized products. When quality problems arise, the UPC can be utilized to determine which products are affected, enabling a recall of distributed products that are defective.

Davidoff limited the sales of its products to luxury retailers, and declined to sell its products to CVS. CVS secured stock of COOL WATER products from outside of Davidoff's normal distribution channels and counted the products among their top-selling fragrances. Some of the COOL WATER products sold by CVS were found to be counterfeit, while others were gray-market goods (meaning they were manufactured under Davidoff's authorization, legally purchased outside the U.S. for distribution, and then illegally imported for sale without Davidoff's permission).

In 1998 and 2005, Davidoff discovered counterfeit COOL WATER products were being sold at CVS. Each time, Davidoff sent cease-and-desist letters to CVS and informed them how to identify counterfeit products based on the UPC. Davidoff again discovered in 2006 that CVS was selling counterfeit COOL WATER products. Davidoff then brought this suit against CVS for trademark infringement, unfair competition and trademark dilution in violation of Sections 32(1) and 43(a) and (c) of the Lanham Act, 15 U.S.C. §§ 1114(1), 1125(a) and 1125(c). Davidoff's original complaint sought relief only as to CVS's marketing of counterfeit Davidoff products.

On December 22, 2006, the district court granted a temporary restraining order and authorized Davidoff to inspect all undistributed products in CVS's inventory that bore the Davidoff COOL WATER mark. Davidoff discovered that the UPCs on the packages and labels affixed to the bottle had been removed from 16,600 items in CVS's inventory. The codes had been removed by cutting the portion of the box or label exhibiting the UPC, using chemicals to wipe away the UPC on the label, and grinding away the bottom of the bottles to remove the UPC. In many instances, the packaging had been opened.

On February 7, 2007, Davidoff amended its complaint to allege claims based upon CVS's sale of Davidoff products with the UPC removed. On March 2, 2007, CVS voluntarily agreed to halt the sale of counterfeit Davidoff products, but not the products with the codes removed. In response, Davidoff moved for a preliminary injunction forbidding the sale of all its trademarked goods with code removed. The court granted Davidoff's motion. *Zino Davidoff SA v. CVS Corp.*, No. 06-cv-15332, 2007 WL 1933932 (S.D.N.Y. July 2, 2007). The district court reasoned that removal of the codes from Davidoff's trademarked product impaired Davidoff's marks by interfering with the trademark owner's ability to identify counterfeit goods and to control the quality of its legitimate products by identifying and recalling defective products. The district court held that Davidoff was likely to succeed on the merits of its trademark infringement claims on the theory that CVS's sale of Davidoff's trademarked products with the codes removed constituted trademark infringement. CVS appealed the district court's judgment.

The Second Circuit reviewed the issue of the preliminary injunction for abuse of discretion on the part of the district court. The Court held that in cases involving trademark infringement and dilution, a party seeking a preliminary injunction must demonstrate (1) the likelihood of irreparable injury in the absence of such an injunction, and (2) either (a) likelihood of success on the merits or (b) sufficiently serious questions going to the merits to make them a fair ground for litigation plus a balance of hardships tipping decidedly toward the party requesting the preliminary relief. (citing *Fed. Express Corp. v. Fed. Espresso, Inc.*, 201 F.3d 168, 173 (2d Cir. 2000)). Under this standard, the Second Circuit affirmed the district court's grant of a preliminary injunction.

Davidoff likely to succeed on the merits of its trademark infringement claims

CVS appealed the district court's judgment on the grounds that the goods with the codes removed were gray-market goods, or genuine Davidoff goods sold by Davidoff through authorized channels in other countries. CVS asserted that because the goods were sold in their original packaging with the Davidoff trademarks visible and unaltered, the removal of the UPC codes did not

negate their genuineness or constitute infringement. The Second Circuit dismissed this argument, stating that the fact that the products in question are gray-market goods is not a defense to infringement. Rather, the issue is whether, or under what circumstances, the sale of gray market goods infringes a trademark. The Second Circuit noted with approval that the district court based its grant of a preliminary injunction on the basis that the removal of Davidoff's codes unlawfully interfered with Davidoff's trademark rights, regardless of whether the goods were authorized by Davidoff for sale.

CVS also argued that the Lanham act did not support the conclusion that a retailer may be found liable for trademark infringement for selling a genuine product in its original packaging with the registered trademark intact because the production code has been altered or removed. For support, CVS pointed to failed attempts to amend the Lanham Act to include a prohibition on the alteration or removal of production codes. The Second Circuit rejected this argument as well, relying on a Supreme Court case cautioning that "failed legislative proposals are a particularly dangerous ground on which to rest an interpretation of a prior statute." *Central Bank of Denver, N.A. v. First Interstate Bank of Denver, N.A.,* 511 U.S. 164, 187 (1994). The case held that congressional inaction lacks persuasive significance because the inaction does not point to a specific conclusion, with equally tenable inferences drawn from the inaction, including the inference that the legislation already incorporated the requested language.

The Second Circuit further agreed with the District Court that Davidoff was likely to succeed on the merits that CVS's sales of its products with the UPC removed constituted trademark infringement. The Second Circuit recognized that, generally, the Lanham Act does not impose liability for "the sale of genuine goods bearing a true mark even though the sale is not authorized by the mark owner" because such a sale does not inherently cause confusion or dilution. *Polymer Tech. Corp. v. Mimran*, 975 F.2d 58, 61 (2d Cir. 1992). However, the Court agreed that goods must conform to the trademark holder's quality control standards to be genuine, *Polymer Tech. Corp. v. Mimran*, 37 F.3d 74, 78 (2d Cir. 1994), or should not materially differ from the product authorized by the trademark holder for sale, *Original Appalachian Artworks, Inc. v. Granada Elecs., Inc.*, 816 F.2d 68, 73 (2d Cir. 1987). The Second Circuit held that where the alleged infringer has interfered with the trademark holder's ability to control quality, the trademark holder need not necessarily show that the goods sold were defective because interference with legitimate steps to effect quality control would unreasonably subject the holder to risk of injury to the reputation of the mark. The Court noted that "[O]ne of the most valuable and important protections afforded by the Lanham Act is the right to control the quality of the goods manufactured and sold under the holder's trademark." *El Greco Leather Prods. Co. v. Shoe World, Inc.*, 806 F.2d 392, 395 (2d Cir. 1986).

The Second Circuit asserted that consumers are assured that goods conform to the mark holder's quality standards by association of the trademark with the holder's goods, and are often willing to pay more to buy goods bearing a mark with a reputation for high quality. Davidoff asserts that its codes effect quality control by permitting the easy detection of counterfeits and improving Davidoff's ability to identify, target and remedy production defects. The Second Circuit again pointed to its precedent in *Warner-Lambert Co. v. Northside Dev. Corp.*, 86 F.3d 3 (2d Cir. 1996), holding that a trademark holder is entitled to an injunction based on the subversion of its quality control measures by showing that "(i) the asserted quality control procedures are established, legitimate, substantial, and nonpretextual, (ii) it abides by these procedures, and (iii) sales of products that fail to conform to these procedures will diminish the value of the mark." The Second Circuit found that the requirements for the injunction were met.

Detection of Counterfeits

The Second Circuit found that counterfeiters often either omit the UPC or use sets of identical fake codes when dealing with products that have unique production codes. The Court found Davidoff's evidence to show that its UPC system enables Davidoff to identify counterfeit products by scanning for goods that lack a UPC or exhibit a UPC known to be used by counterfeiters. The Second Circuit relied on the district court's fact-finding that Davidoff regularly trained retailers, private investigators and U.S. Customs to utilize UPCs to identify and seize counterfeit products. Thus, the Second Circuit agreed with the district court's holding that the first two prongs of the *Warner-Lambert* formulation were met because Davidoff's quality control procedures were "legitimate, substantial, and nonpretextual" and Davidoff "abides by these procedures." The Second Circuit also agreed with the district court's conclusion that the third prong of the *Warner-Lambert* analysis was also met because the loss of the quality control protections would expose Davidoff to a higher incidence of sales of counterfeit goods and harm Davidoff's reputation and diminish the value of its trademark.

Identification of Defective Products and Effective Recall

The Second Circuit noted that the district court also based its finding on Davidoff's use of its code system to protect against quality defects in genuine products. Referencing the code when a quality defect is discovered in a product helps identify the source of the problem and facilitates correction. Further, upon discovery of a quality issue, the code system permits easy, rapid identification of affected products that are already in the chain of distribution, to facilitate a targeted recall that will remove the defective goods from the channels of commerce while leaving unaffected goods in place.

In response, CVS argued that the code system is merely pretextual. CVS noted that the UPC is minimized in small print at the bottom of the box and bottle, and Davidoff's retailers and customers are not made aware of it. CVS also pointed out that Davidoff has never enacted a targeted recall of the type that the UPC system is allegedly designed to facilitate. Thus, CVS contended that Davidoff's quality control claims were merely pretextual, with the true purpose of the UPC system being to find gray-market goods. The Court rejected these arguments, asserting that retailers and consumers need not be aware of the UPC or its functions. Rather, the codes were designed to assist Davidoff in effecting quality control and counterfeit detection. The Second Circuit asserted that Davidoff has the ability to instruct retailers and consumers to assist in anti-counterfeit or quality control measures by looking for the appropriate UPC numbers.

Further, the Second Circuit stated that the district court properly relied on the testimony of Davidoff's Vice President for Regulatory Affairs and Quality Assurance, among others, to show that Davidoff had relied on the UPC system to assist with quality issues. The Court held that the fact that none of these instances resulted in a large-scale recall did not help CVS, as an important benefit of the UPC system is that it permits Davidoff to keep its recalls small and targeted.

The Second Circuit also held that the ability to use the UPC system to identify distributors operating outside the authorized distribution and retail network and importers of gray-market goods does not defeat Davidoff's claim. Because Davidoff relies on the UPC for quality control, other effects unrelated to quality control would not negate the legitimate function of the UPC system.

CVS also argued that the injunction was improper because none of its sales of Davidoff products involved inferior products, citing *Warner Lambert* to assert that the purpose of the injunction was to protect the mark holder against sale of inferior products. *Warner Lambert*, 86 F.3d at 7-8 & n.1. The Second Circuit cited *El Greco* to hold that proof of sale of inferior products is unnecessary. The Court asserted that when analyzing trademark infringement cases involving interference with quality control procedures, the actual quality of the goods is irrelevant. Rather, the trademark holder is entitled to maintain the control of quality of its goods. *El Greco*, 806 F.2d at 395. The Court then held that the goods sold by CVS did involve inferior products because the UPCs were removed by cutting the packaging, applying acids to blur the markings, grinding bottles, and so forth. The consumer could easily infer that the tampered package was inferior and perhaps suspect it was stolen merchandise, defective, or untrustworthy in some other way. The Court held that trademarked goods whose luxury packaging is damaged are materially different from those that are intact. *Accord Davidoff & CIE, S.A. v. PLD Int'l Corp.*, 263 F.3d 1297, 1303-04 (11th Cir. 2001). Thus, Davidoff was likely to succeed in its trademark infringement claim because CVS interfered with its quality control procedures and sold Davidoff's marked goods that were materially different from its genuine trademarked product.

The Second Circuit held that the sale of gray-market goods which are materially different constituted trademark infringement, citing *Original Appalachian Artworks, Inc.*, 816 F.2d at 73. Further the Court asserted that the threshold of materiality is lower when comparing the trademark holder's product with gray-market goods, to include a slight difference which consumers would likely deem relevant when considering purchasing the product. *Accord Bourdeau Bros. v. Int'l Trade Comm'n*, 444 F.3d 1317, 1323 (Fed. Cir. 2006); *Societe des Produits Nestle, S.A. v. Casa Helvetia, Inc.*, 982 F.2d 633, 641 (1st Cir. 1992) The Court noted that the damage to the trademarked packaging provides an additional justification, over and above the damage to the trademark holder's ability to detect counterfeits and to guard against defects, to warrant the grant of the preliminary injunction.

Davidoff is entitled to a presumption of irreparable injury

The Second Circuit held that a plaintiff who establishes that an infringer's use of its trademark creates a likelihood of consumer confusion generally is entitled to a presumption of irreparable injury." *Weight Watchers Int'l, Inc. v. Luigino's, Inc.*, 423 F.3d 137, 144 (2d Cir. 2005). The Second Circuit affirmed the district court's

finding that Davidoff had established a likelihood of confusion and was thus entitled to this presumption. The Court found that Davidoff's evidence showed a likelihood that the absence of codes increased the risk that consumers would purchase counterfeit or defective product because of the disabling of Davidoff's device to actively guard counterfeit or defective products. Thus, the Second Circuit held that there was neither error nor abuse of discretion in the district court's grant of the preliminary injunction.

Significance to Trademark Owners

The re-importation/re-sale of legally purchased trademarked goods (i.e., gray market goods) presents an ongoing problem for trademark owners. In essence, since the gray market good is legitimate, the trademark owner can no longer prevent the distribution and sale of their goods between markets. While the resale of legally purchased goods is not necessarily illegal as there is no dispute that the goods are authentic, there are mechanisms which a trademark owner can employ which legitimately prevent or restrict the gray market goods. As demonstrated in *Zino Davidoff*, the simple use of indicia (such as unique codes) can be used for legitimate tracking and anti-counterfeit purposes while also preventing an obstacle to the re-sale of goods in different marketplaces.

Federal Circuit Reverses BPAI Anticipation and Obviousness Rejection for Insubstantial Evidence

Also Finds Time to Appeal Begins From the Mailing Date as Opposed to Date Printed On Opinion

In *In re McNeil-PPC, Inc.*, 91 USPQ2d 1576 (Fed. Cir. 2009), McNeil owns U.S. Patent 6,310,269, which claims a tampon for feminine hygiene with a solid fiber core, where the core is denser than the radially projecting "ribs" and the ribs are narrower at their base than at their distal end. McNeil requested that the PTO re-examine its patent on the basis of unexamined Japanese application No. 55-168330 by Tetsu Sasaki (hereinafter "Sasaki"). Sasaki discloses the process of making a tampon blank via stitching layers of material and then molding the blank into a finished tampon. The Examiner rejected claims 1 and 3 as anticipated by Sasaki and claim 4 as obvious over Sasaki. McNeil appealed to the Board of Patent Appeals and Interferences (BPAI), arguing that Sasaki failed to disclose key elements of his claim (the relative densities and coarseness of the core and ribs on the tampon, and ribs that were narrower at the base than at the proximal end).

The BPAI affirmed the Examiner's rejection and denied McNeil's request for a rehearing. The date of the Board's decision was May 30, 2008. The date of mailing, as per the mailing sheet for the order, was June 2, 2008. Further, the online "Transaction History" for the re-examination contains two entries both dated May 30, 2008: "Mail BPAI Decision on Reconsideration – Denied" and "Dec on Reconsideration – Denied." Finally, the image file wrapper (hereinafter "IFW") lists the "Mail Room Date" of the decision as June 2, 2008. McNeil filed the notice of appeal to this court on August 1, 2008. The Director responded that the appeal was untimely because it was filed more than sixty days after the Board made its final decision on May 30, 2008.

Patent Owner's Appeal was Timely As Measured from Mailing Date

Before turning to the merits of the case, the Federal Circuit addressed the issue of the timeliness of McNeil's appeal. The Federal Circuit first stated that it could not grant extensions of time for an appeal (citing *In re Reese*, 359 F.2d 462, 463 (CCPA 1966) (per curiam)). The Court noted that Congress gave the Director authority to set the timing for an appeal in 35 U.S.C. § 142, allowing the Director to prescribe a time no less than 60 days after the date of decision during which the appellant could appeal the decision of the BPAI. Accordingly, the Director set a time for appeal, if a request of rehearing or reconsideration had been made to the Board, as within two months after action on the request. (37 C.F.R. § 1.304(a)(1)).

The Court held that the issue of timeliness hinged on whether the Date of Decision was the date of decision noted on the Board's decision, or the date that the decision was mailed to the applicant. The Federal Circuit then opined that there was little information to guide the Court as to whether to attribute meaning to the date of decision appearing on the Board's written decision. The Court stated that the Director failed to explain the Board's internal procedures for issuing opinions, or whether the June 2, 2008 mailing date reflects the first time that the decision was released to the public. The Federal Circuit did take into account an unchallenged declaration from a now-retired member of the Board Jeffrey Nase, which was presented by McNeil.

The Federal Circuit summarized Nase's declaration as follows. Historically, the date that the PTO mailed a document was the date that triggered a response period. Before August 2006, the date decided was hand-stamped on the front of opinions. In August 2006, the Board began to have the decision date typed on the front of opinions. Nase found it to be unclear why the date on the opinion and the mail date differed, unless the mail room was slow or a member of the Board panel had decided to revise or reconsider the opinion over the weekend of May 31 and June 1, 2008. Nase opined that if the PTO had intended this minor formatting change to have substantive effect, there would have been public notice of the change (which there was not).

The Court noted the PTO's argument that it would be contrary to the language of both 35 U.S.C. § 142 and 37 C.F.R. § 1.304(a)(1) to deem the date of the decision to be the date that the order was mailed. However, the Court dismissed this argument as superficial due to the import of the inner workings of the agency. Rather, the Federal Circuit asserted that, based upon the evidence, only when an opinion is released to the public is it truly decided and safe from possible revision. The Court did note that the PTO's position was supported by the entries on the "Transaction History" page indicating that the case was decided and opinion mailed May 30, 2008. However, the Court found that the parties do not dispute that the decision was mailed on June 2, 2008, making the "Transaction History" date both inaccurate and moot.

The Federal Circuit also dismissed the PTO's reliance on an unpublished order, *Barbacid v. Brown*, 223 F. App'x. 972 (Fed. Cir. 2007). In the opinion, the Federal Circuit held that the PTO's failure to mail its decision to Barbacid when mailing the opinion to the other party did not abrogate the untimeliness of Barbacid's appeal. There, the Federal Circuit stated that "[T]he time is not measured from the date of receipt of the Board's decision but from the date of the decision itself." However, this Court noted that the opinion did not specify what "the date of the decision" was. Further, the Federal Circuit noted that Barbacid's appeal was so late that a few days would not have impacted the timeliness of his appeal.

The Federal Circuit held that the instant appeal was timely for several reasons. First, the Court noted that the "Transaction History" page appeared inaccurate and Nase's declaration provided the most plausible explanation for the conflicting evidence of the action taken on by the Board in response to McNeil's request for reconsideration. Further, the IFW entry corroborates the fact that action was taken on June 2, 2008, instead of May 30, 2008. Thus, the Federal Circuit held that the Board decided this case on June 2, 2008, the date of mailing, making McNeil's appeal timely.

BPAI's Anticipation and Obviousness Decision Not Supported By Substantial Evidence

Next, the Federal Circuit turned to the merits of the case. The Court stated that the standard of review would be one of substantial evidence to support the Board's determination. (citing *In re Graves*, 69 F.3d 1147, 1151 (Fed. Cir. 1995)). The Federal Circuit noted, with added emphasis, that McNeil's claim 1 (which was chosen as representative of the other claims), was for a tampon for feminine hygiene that comprised an absorbent portion having a "generally cylindrical compressed, solid fibre core from which longitudinal ribs extend radially outward," where each of the ribs has a proximal end attached to the fibre core, "is compressed less than the fiber core, thereby having a coarser capillary structure than the fibre core," and is separated from adjacent ribs at the proximal end "by an amount greater than such rib is separated from an adjacent longitudinal rib proximate the distal end."

The Board had found that Sasaki taught all the limitations of claim 1. Upon review of the Board's findings, the Federal Circuit was unsure if the Board understood McNeil's claim. First, the Court observed that the Board equated McNeil's limitation of a tampon "each of the ribs is compressed less than the fiber core, thereby having a coarser capillary structure than the fibre core" with Sasaki's Figures 8 and 10, which the Board found to reasonably depict the ribs of a tampon "as being compressed less at their distal ends than at their ends proximal to the drawstring at the center of the drawn fiber strips." (emphasis added by the Court). The Court noted that the claim required the ribs to be less dense than the core, not the distal ends of the ribs to be less dense than their proximal ends.

The Federal Circuit failed to find any evidence in Sasaki of the relative compression of any portion of Sasaki's tampon. The Court found that Figure 6, which showed relative compression of the strips of absorbent material, depicted a tampon blank, not a finished tampon. The Court noted that Figures 7 and 8 of Sasaki, which depicted a finished tampon, did not disclose any evidence a core that is denser than the ribs of the tampon. Further, the Federal Circuit stated that the PTO failed to explain how the change in shape from the tampon blank to the finished tampon necessarily made the ribs less dense than the tampon core. The Federal Circuit noted that the Board's initial decision stated

that "compressed masses [are] formed at equal intervals along the axial line direction on the outside circumferential surface of the tampon." However, the Court found that Sasaki made no comparison between the "compressed masses" and a core. Further, the Court observed that it was not clear that Sasaki even disclosed a "core," pointing to Sasaki's Figure 8 to show that Sasaki's tampon was composed of six ribs and no core. The Court held that there was not substantial evidence (or even any evidence) that Sasaki disclosed ribs "compressed less than the fiber core" or "a generally cylindrical compressed, solid fibre core." Thus, the Federal Circuit reversed the Board's rejections based on Sasaki.

The Federal Circuit also dismissed the PTO's argument that McNeil waived arguments about Sasaki's lack of a "generally cylindrical compressed, solid fibre core" and "coarser capillary structure than the fibre core." Specifically, the PTO asserted that it waived arguments regarding Sasaki's lack of a core because McNeil, in its appeal brief, argued only that two key elements (relative rib compression and spacing from adjacent ribs) were missing from Sasaki. The Federal Circuit disagreed, noting that McNeil included arguments about the core in its brief. Thus, McNeil did not have to explicitly assert that the core was missing from Sasaki, because the brief mentioned in passing that "Sasaki does not disclose, teach, or suggest a tampon, wherein 'each of the ribs is compressed less than the fiber core, <u>thereby having a coarser capillary structure than the fibre core</u>.'" (emphasis added).

The Court noted that the Sasaki figures also failed to disclose any relative coarseness of different portions. Further, the Court stated that the lack of a core was discussed earlier in the opinion. The Court also observed that Figure 8 showed some spacing between the bottommost ribs, and arguably disclosed spacing between other ribs. However, the Court noted that this disclosure of Sasaki did not overcome the failing of Sasaki to teach the other features of McNeil's invention. The Court held that it was not clear that Sasaki disclosed "a core nor which portions of Sasaki's tampon the Board considered to be the ribs and which the Board considered to be the core." The Court stated that there was not substantial evidence to support the Board's determination that Sasaki disclosed ribs separated from each other "at the proximal end by an amount greater than" at "the distal end." Thus, the Court reversed the Board's rejections of claims 1, 3 and 4 for lack of substantial evidentiary support.

The Federal Circuit held that McNeil's appeal of his rejection at the BPAI was timely because it was within two months of the date that the decision was mailed to him. Further, the Federal Circuit reversed the Board of Patent Appeals and Interferences' rejection of claims 1, 3 and 4 of McNeil's re-examination application for lack of substantial evidentiary support based on the lack of the prior art's disclosure of a fibre core, which was mentioned but not explicitly disputed by the appellant.

Judge Dyk's Dissent

The dissent disagreed with the majority's opinion with regards to timeliness only. Specifically, it observed that the decision of the BPAI clearly stated on its face that it was decided May 30, 2008. The dissent found that because McNeil did not appeal until August 1, 2008, two days after the regulatory period for review from a decision of May 30, 2008, the appeal was untimely filed and should not have been granted jurisdiction. The dissent noted that the jurisdiction of the Federal Circuit is statutorily limited by the timeliness regulations of the PTO, and quoted 35 U.S.C. § 142 to show that an appeal must be filed within such time as prescribed by the Director after the date of the decision from which the appeal is taken. The dissent also cited to the Supreme Court, which stated that statutorily limited times for filing a notice of appeal are "mandatory and jurisdictional." *Bowles v. Russell*, 551 U.S. 205, 127 S. Ct. 2360, 2363 (2007).

Next, the dissent noted that 35 U.S.C. § 142 sets forth a time for filing the notice of appeal as within two months after action on the request for rehearing or reconsideration. The dissent asserted that the notice accompanying the promulgation of 35 U.S.C. § 142 characterized the relevant date as the date of "decision on reconsideration." 54 Fed. Reg. 29,548, 29,550 (July 13, 1989). The dissent then observed that the majority also correctly noted that the term "action on the request" has the same meaning in this context as "date of the decision" and that the issue was what the phrase "date of the decision" means.

The dissent then reviewed the four sources for dates referenced by the parties in the case (the date of decision on the Board's opinion, the PTO's online Transaction History, the IFW wrapper entry of the "Mail Room Date", and a "mailing sheet" attached to the paper copy of the opinion when mailed to McNeil). The first two sources refer to a date of May 30, 2008, while the last two reference June 2, 2008. The dissent notes that the only dispute is about which of these dates represents the "date of decision" as reflected in the statute and regulations.

The dissent held that the majority's view that the "date of decision" is the date of mailing instead of the date of decision as clearly written on the opinion is contrary to the plain language of the regulation and against precedent interpreting the nearly identical language of 35 U.S.C. § 142's predecessor rule. It observed that the only reason for the majority to reject May 30, 2008 was its theoretical concern that the Board could change the decision at some point after the "Decided" date was affixed to the decision before the decision was mailed. However, the dissent notes that no evidence of such revision exists. Further, the plain language of the statute and regulation state that the relevant date is the "date of decision," not the date of mailing. In adopting these regulations and statutes, the dissent notes that both the PTO and Congress rejected the date of mailing as determinative. The dissent then pointed to examples in which the PTO explicitly used and prescribed the mailing date as determinative for setting a time limit for action. (citing 37 C.F.R. § 1.181(f); § 1.97(c); and § 2.105(a)).

The dissent then pointed to precedent that rejected the majority's approach. Specifically, the dissent cited *Burton v. Bentley*, 14 App. D.C. 471 (C.A.D.C. 1899), in which the Court of Appeals (a predecessor of the District Court of D.C.) addressed the time for appealing a decision of the PTO when the decision date and mailing date differed. At that time, the prior rule required that appeals from the Patent Office "shall be taken within forty days <u>from the date of the ruling or order appealed from</u>, and not afterward." (emphasis added). The court in *Burton* held that the relevant date was the date that the order was made and signed by the deciding official, and that a delay in mailing the order was irrelevant to the date of decision. The Court of Appeals asserted that the terms of the rules must be allowed their "ordinary meaning and import." The Court held that to allow the time limit to be computed from any other act or event other than the date of the order appealed from would be violative of the rule.

The dissent agreed with the court's view in *Burton*, and provided further support for its position from *In re Reese*. There, the Court of Customs and Patent Appeals (a predecessor of the Federal Circuit) asserted that the "date of the decision appealed from" was the date of the decision on the petition. *In re Reese*, 359 F.2d 462, 463 (CCPA 1966). The dissent also pointed to *Barbacid v. Brown*, in which the Federal Circuit held in a non-precedential decision that "the time for filing the appeal to this Court is two months from the date of the decision of the Board. The time is not measured from the date of receipt of the Board's decision but from the date of the decision itself." *Barbacid v. Brown*, 223 F. App'x 972, 973 (Fed. Cir. 2007). The Federal Circuit rejected the mailing date as determinative of the appeal time limit, despite the appellant's allegation that he had never been mailed a copy of the decision because of an error by the Board.

The dissent then pointed out that the existence of any delay in mailing a decision does not impose an unfair burden on the parties because of the lengthy period for appeal and the Board's ability to extend the time for appeal in situations where there has been excusable neglect. (citing 37 C.F.R. § 1.304(a)(3)(ii)). The dissent noted no allegations of inadequate time to prepare an appeal by the appellant. Thus, the dissent held that because the date of decision in this case was May 30, 2008, the Federal Circuit did not have jurisdiction to review because of the untimely notice of appeal filed August 1, 2008, and advocated dismissal of this appeal.

Significance to Patent Applicants

For practitioners, *In re McNeil-PPC* presents a useful combination of practical issues. In regards to timing for response, it is common for the date of decision (either for Board opinions as well as for office actions) to be substantially different from dates on which the opinions or office actions are mailed. Even when receiving electronic notifications of office actions, there is generally a lag of one to three days between when the Examiner or Board has made their decision (and had their decision counted in the USPTO's internal system), and the date on which that decision is communicated to the applicant. The Federal Circuit *In re McNeil-PPC* confirmed what most practitioners had assumed (and hoped was true) in that the response dates are counted from the notification or mailing date as opposed to the date of decision.

Additionally, patent applicants should be interested in the requirements for substantial evidence as set forth in *In re McNeil-PPC*. A common problem in attempting to respond to an Examiner's action is that it is unsupported by evidence. Without evidence, it becomes difficult to supply rebuttal evidence as opposed to simply contrary arguments. *In re McNeil-PPC* provides a reminder that the USPTO is required to provide evidence in order to maintain a prima facie rejection based upon prior art.

Federal Circuit Finds Term Hotels.com is Generic despite Evidence of Secondary Meaning

In *In Re Hotels.com L.P.*, 91 USPQ2d 1532 (Fed. Cir 2009), the Applicant, Hotels.com, L.P., appealed the Trademark Trial and Appeal Board's (TTAB) refusal to register the service mark HOTELS.COM (Serial No. 78/277,681) in International Class 43 for "providing information for others about temporary lodging; travel agency services, namely, making reservations and bookings for temporary lodging for others by means of telephone and the global computer network." The TTAB refused registration on the ground that the mark is a generic term for such services. The Federal Circuit affirmed.

The TTAB explained that the word "hotels" "identifies the central focus of the information and reservation services provided on applicant's website," and concluded that the term HOTELS.COM, consisting of nothing more than a term that names that central focus of the services, is generic for the services themselves." The TTAB determined that the addition of the dot-com domain designation does not impart registerability to a generic term.

The Federal Circuit began by noting that it has plenary review to the legal conclusions of the TTAB and reviews the factual findings of the TTAB to determine whether such are "arbitrary, capricious, or unsupported by substantial evidence." The determination of whether a term is generic, and therefore not registerable, is a question of fact, and the Patent and Trademark Office has the burden of establishing that the proposed mark is generic by clear and convincing evidence. The Federal Circuit further noted that generic terms cannot be registered as a trademark because such terms are incapable of indicating the source of the goods or services. "Whether a term is entitled to trademark status turns on how the mark is understood by the purchasing public." *In re Montrachet S.A.*, 878 F.2d 375, 376 (Fed. Cir. 1989). "In the generic-descriptive-suggestive-arbitrary-fanciful continuum of words and their usage as marks of trade, there is no fixed boundary separating the categories[.]" Slip at page 5, *citing In re K-T Zoe Furniture, Inc.*, 16 F.3d 390, 393 (Fed. Cir. 1994) "[D]escriptive terms describe a thing, while generic terms name the thing[.]" Id., (quoting 1 McCarthy, S12.05[1] (3d ed. 1992). Descriptive terms may acquire distinctiveness and serve as a trademark, while a generic term may not.

The applicant argued that the TTAB's approach was fundamentally flawed because the TTAB analyzed the components "hotels" and ".com" instead of the mark in its entirety, HOTELS.COM. The applicant argued that HOTELS.COM is not a generic term for a hotel but is used to indicate an information source and travel agency. The applicant further argued that prospective customers perceive the mark as HOTELS.COM with the dot-com domain name, which is a significant aspect of the mark.

The TTAB responded with various definitions of "hotel," "temporary lodging", and ".com" and concluded that "hotels" and ".com" simply name the services provided by the applicant in association with the mark HOTELS.COM. The TTAB further relied on such sites as www.all-hotels.com, www.web-hotels.com, www.dealsonhotels.com, www.123-hotels.com, www.my-discount-hotels.com, www.choicehotels.com, www.hotelstravel.com, and www.hotelres.com to show that such domains are referred to as "hotel information sites" and "hotel reservation sites," similar to the applicant's www.hotels.com.

The Federal Circuit found no error with the TTAB's analysis and stated that "the generic term 'hotels' did not lose its generic character by placement in the domain name HOTELS.COM." Further, the Federal Circuit found that the TTAB's assertion that the other uses of "hotels" in domain names demonstrate a competitive need for others to use "hotels" in their own domain names and trademarks to further support a prima facie case of genericness. Because the word "hotels" names a key aspect of the applicant's services, the TTAB concluded that HOTELS.COM is properly viewed in the same way and having the same meaning as the word "hotels" by itself.

In rebuttal, the applicant provided sixty-four declarations from customers, vendors, and competitors, each of whom stated that "the term HOTELS.COM is not the common, generic name of any product, service, or field of study." Further, the applicant submitted a survey entitled "Survey to Determine Whether Consumers Perceive 'HOTELS.COM' as a Brand Name or Generic Name." The survey was a conducted by a independent party and was a "national probability double blind telephone survey… conducted employing the 'Teflon' methodology among 277 males and females age 18 and over in the continental United States who have stayed at a hotel or motel in the past 12 months or plan to in the next 12 months." The study concluded that 76% of the respondents regarded HOTELS.COM as a

brand name for a business that makes hotel reservations and provides information about hotels.

The TTAB gave no weight to the declarations because each included the same words and provided no explanation of the declarants' conclusions or the declarants' views on how the term HOTELS.COM is perceived by the public. The Federal Circuit recognized that the total rejection of the declarations appeared unwarranted; but, in the context of the entire record, the declarations do not negate the TTAB's ultimate conclusion. The TTAB was skeptical of the survey results because they feared that consumers may automatically equate a domain name with a brand name and that the survey design did not adequately reflect the difference between the two.

The Federal Circuit concluded that the TTAB had satisfied its evidentiary burden by demonstrating that the separate terms "hotel" and ".com" in combination have a meaning identical to the common meaning of the separate components; and, the TTAB's finding that HOTELS.COM was generic was supported by substantial evidence. Therefore, the refusal to register the applicant's mark was affirmed.

Significance to Trademark Owners

It should be noted that the discounted evidence in *In Re Hotels.com* did not ultimately affect the outcome of this case. This is because the TTAB had already determined that the mark HOTELS.COM was generic, and no amount of acquired distinctiveness can save a mark once it has been determined to be generic. The TTAB specifically noted that if their determination of genericness was overruled, the evidence of acquired distinctiveness was sufficient to allow the mark HOTELS.COM to be registerable. As such, when selecting a mark, it is important to understand that purely generic definitions will not be available for protection, no matter the customer recognition.

In Re Hotels.com also stands for the proposition that adding a dot-com to a generic term will not render the resultant domain name registerable as a trademark. Courts will likely view the generic term and the dot-com portion separately to find that the entire asserted mark is generic and therefore not registerable as a trademark. Thus, when selecting a domain name for a start-up business, the trademark aspects of the analysis should emphasize the source indentifying properties of the mark independent of the dot-com portion.

10th Circuit Finds Trade Secrets Can Be in the Combination of Known Elements

In Hertz v. Luzenac Group, 576 F.3d 1103; 91 USPQ2d 1801 (10th Cir. 2009), Luzenac, a leading seller of talc, has sold various formulations of vinyl silane-treated talc from 1994 to 2002 under the name Mistron 604AV. From 2002 onwards, Luzenac licensed the production of 604AV to Van Horn, Metz & Co., Inc. (VHM), one of Luzenac's distributors, wherein Luzenac sold the raw talk used in the 604AV product to VHM. Luzenac hired Hertz in 1994 to head the technical development and marketing of products that were to become 604AV and hired Lighthart to market and sell the 604 AV product to companies using such coatings. Luzenac fired Hertz in 1998, however, Hertz won suit against Luzenac under Title VII for firing him in retaliation for his objecting to Luzenac's religious discrimination. Lighthart, who left Luzenac in 2001, testified in the case on Hertz's behalf.

Several years after Hertz was fired from Luzenac, IMI Fabi contracted Hertz's consulting company to develop and market a vinyl silane-treated talc to be called "Genera." Hertz, in turn, contracted Lighthart to develop a list of prospective customers of Genera and to help market the product. Luzenac, upon hearing of IMI Fabi's contracting of Hertz, it sent a cease-and-desist letter to Hertz. IMI Fabi, upon hearing of Luzenac's actions, reduced efforts to market Genera. Soon after, Hertz sought declaratory and injunctive relief against Luzenac, and Luzenac alleged counterclaims including interference with contract and with prospective business advantage, misappropriation of trade secrets, conversion, civil theft and breach of contract. Hertz amended his complaint to include claims of unlawful retaliation under Title VII, defamation, tortious interference with contract and prospective business advantage. Subsequently, Luzenac removed the case to federal district court and joined Lighthart in the suit and added claims of unjust enrichment and conspiracy.

In reviewing the District Court's dismissal of Luzenac's claims for misappropriation of trade secrets, breach of contract, and conspiracy, the 10th Circuit reviewed summary judgment decision as per whether there was any issue as to material fact and whether the movant (Hertz) was entitled to judgment as a matter of law.

First, the 10th Circuit looked to whether the production process of 604AV was a trade secret. Luzenac alleged that Hertz violated the Colorado Uniform Trade Secrets

Act (UTSA) by disclosing Luzenac's entire formula and process of manufacturing 604AV to IMI Fabi. The 10th Circuit and the District Court both focused on whether the production process qualifies as a trade secret. According to the UTSA, a trade secret is "any scientific or technical information, design, process, procedure, formula, [or] improvement…which is secret and of value." Colo. Rev. Stat. Ann. §7-74-103(4). The 10th Circuit stated that the test for determining whether something is capable of protection as a trade secret is recited in *Colorado Supply Co. v. Stewart,* 797 P.2d 1303, 1306 (Colo. Ct. App. 1990), the factors being:

> (1) the extent to which the information is known outside the business;
>
> (2) the extent to which it is know to those inside the business, i.e. by the employees;
>
> (3) the precautions taken by the holder of the trade secret to guard the secrecy of the information;
>
> (4) the savings effected and the value to the holder in having the information as against competitors;
>
> (5) the amount of effort or money expended in obtaining and developing the information; and
>
> (6) the amount of time and expense it would take for others to acquire and duplicate the information.

The 10th Circuit noted that the District Court, in applying the above noted test, acknowledged that the last three factors could weigh in favor of Luzenac, and even stated, with respect to the fourth factor, that "a reasonable jury might find that, despite the plurality of comparable products competitive to Mistron 604AV, Luzenac's position was unique as a result of the information and expertise it developed." *Aplt. App. Vol. IX*, at 3002-03. Furthermore, the District Court stated that "[a] reasonable jury might determine that Mr. Hertz and IMI Fabi saved time and expense in developing Genera by virtue of the expertise and information Mr. Hertz obtained and discovered during his time at Luzenac." *Id.* at 3002. However, in granting Hertz summary judgment, the District Court stated that "secrecy is the *sine qua non* of the claim and there can be no genuine dispute that the process for manufacturing 604AC was not a secret." *Id.* at 3003.

The 10th Circuit agreed with the District Court in that the matter being a secret is indispensible to there being a trade secret. However, the 10th Circuit stated that the District Court committed three mistakes in evaluating the secrecy of the Luzenac production process: (1) failing to consider the process in the aggregate; (2) failing to view the evidence in the light most favorable to Luzenac; and (3) focusing on steps Luzenac failed to take to protect the secrecy of 604AV rather than the steps Luzenac did take and whether such steps were reasonable.

In considering the process in the aggregate, the 10th Circuit noted that Luzenac asserted that the trade secret comprises nine elements and conceded that some of those elements may be in the public domain. However, Luzenac also asserted that the District Court should have considered the aggregate production process, and not looked at each component of production separately. The 10th Circuit agreed with Luzenac as per considering the production process in total. Instead, the District Court reviewed evidence with respect to each one of the nine elements of production, and concluded that "the process as a whole [does not] constitute a trade secret. Each and all of the elements of the process for manufacturing 604AV are known outside of Luzenac." *Aplt. App. Vol. IX*, at 3003. Furthermore, in responding to Luzenac's argument that the aggregate production process cannot be found in a single location, the District Court stated that Luzenac's assertion was "both true and irrelevant." *Aplt. App. Vol. X*, at 3270. As per the District Court's analysis, the 10th Circuit stated that "the district court did *not* engage in any substantive analysis of the production process as a whole." The 10th Circuit went on to state the District Court applied the incorrect standard and that the holding in Rivendell should have been followed, which states that "a trade secret can include a system where the elements are in the public domain, but there has been accomplished an effective, successful and valuable integration of the public domain elements and the trade secret gave the claimant a competitive advantage which is protected from misappropriation." *Rivendell Forest Prods., Ltd. V. Ga.-Pac. Corp.,* 28 F.3d 1042, 1045 (10th Cir. 1994).

The 10th Circuit went on to review the District Court's finding that each of the nine elements of the 604AV aggregate production process was publicly disclosed, and stated that "[w]hile the finder of fact is required to consider the claimed trade secret a whole, it may, in addition, consider whether the individual components are publicly known." In reviewing whether the amount of vinyl silane in 604AV was publicly known, the 10th Circuit stated that "[v]iewing all of the evidence as a whole, there is significant support for Luzenac's position that it has kept the amount of vinyl silane a secret. The ultimate weighing of that evidence will have to be done by a jury." As per the type of vinyl silane, the 10th Circuit stated that there was a genuine question of material fact coming from assessment of relevant documentation and witness testimony. Additionally, as per a quality control test used in the production

process, the 10th Circuit, in finding the two parties' witnesses' testimonies incongruent, stated that they can not resolve the conflict without assessing the credibility of the parties' witnesses. In summary, the 10th Circuit stated that "the production process of 604AV is not contained as a whole within the four documents to which Mr. Hertz refers; nor can it be indisputably discovered though the consideration of additional documents available to us…Mr. Hertz cannot win on summary judgment simply by saying that a good mechanic could assemble various pieces of public information…"

Next, the 10th Circuit went on to review the precautions taken by Luzenac to protect the alleged trade secret. The 10th Circuit notes that the District Court focused on precautions not taken by Luzenac rather than the focusing on whether the precautions taken by Luzenac were reasonable. As an owner of a trade secret must take measures to prevent the secret from those not authorized to have access to such, such measures must be "reasonable under the circumstances to maintain its secrecy." *Colo. Supply,* 797 P.2d at 1306. The 10th Circuit noted that Luzenac took a series of steps to protect the secrecy of the production of 604AV, such as posting signs to maintain confidentiality and having key employees and contractors such as VHM sign confidentiality agreements. However, the District Court found such measures "ceremonial," and noted that Luzenac did not have all its customers sign confidentiality agreements and that Luzenac failed to control VHM's disclosures of the production process of 604AV. *Aplt. App. Vol. X*, at 3271. In response, the 10th Circuit stated that "there are always more security precautions that can be taken. Just because there is something else that Luzenac *could* have done does not mean that their efforts were unreasonable under the circumstances," and as such, whether the precautions were reasonable was a matter for a jury to decide.

After reversing the District Court's decision regarding summary judgment on the trade secret and remanding the issue of whether the production process in aggregate was a trade secret, the 10th Circuit next looked at whether Luzenac's customer information was a protectable secret. The 10th Circuit notes that Hertz conceded that he received a document from Lighthart, who prepared the document while employed with Luzenac. However, a second document that was prepared by Lighthart, allegedly just for IMI Fabi, contained information on 33 potential Genera customers. However, the 10th Circuit stated that it was unclear whether the information was misappropriated from Luzenac's customer information. In analyzing whether the customer information was a trade secret, the 10th Circuit applied the *Colorado Supply* factors in conjunction with the Colorado Statutory definition of a trade secret, which includes "listing of names, addresses, or telephone numbers, or other information relating to any business or profession which is secret and of value." *Colo. Rev. Stat. Ann.* §7-74-102(4). The District Court, in finding that the customer list was not a trade secret, relied upon the fact that the customer information came from public sources.

However, the 10th Circuit stated that the District Court did not consider conflicting testimony indicating that the customer information lists were of limited circulation in the company, and that the District Court dismissed Luzenac's instruction to employees to keep all information confidential as impracticable and because such a blanket prohibition does not qualify as a reasonable attempt to maintain secrecy. The 10th Circuit believed that the District Court made determinations, like those noted above, that should have been made by a jury and that their review of the record shows that answers to questions at hand are disputed issues of fact that can't be easily determined from the record at hand. For example, although the 10th Circuit found that some information on Luzenac's customer list may not be publicly available, much information on potential customers of vinyl silane-treated talc is available from a variety of sources. With there being dispute regarding a number of facts concerning the customer lists, such should be resolved by a jury, according to the 10th Circuit.

On remand, the 10th Circuit instructed the District Court to consider factors enumerated in *Colo. Supply,* 797 P.2d at 1306-07, which are: (1) whether proper and reasonable steps were taken by the owner to protect the secrecy of the information; (2) whether access to the information was restricted; (3) whether employees knew customers' names from general experience; (4) whether customers commonly dealt with more than one supplier; (5) whether customer information could be readily obtained from public directories; (6) whether customer information is readily ascertainable from sources outside the owner's business; (7) whether the owner of the customer list expended great cost and effort over a considerable period of time to develop the files; and (8) whether it would be difficult for a competitor to duplicate the information. Additionally, the 10th Circuit cited *Sonoco Prods. Co. v. Johnson* 23 P.3d 1287, 1290 in noting "there is no requirement in Colorado's [UTSA] that there be actual use or commercial implementation of the misappropriated trade secret for damages to accrue. Misappropriation consists only of the improper disclosure or acquisition of the trade secret." Thus, the 10th Circuit dismissed

Hertz's argument that that there was no evidence that IMI Fabi benefitted from Luzenac's customer information as it was irrelevant according to the above. The only relevant matters presently are whether Hertz misappropriated of Luzenac's customer list and whether such information is a trade secret, and that such should be decided by a jury.

In addressing whether Hertz committed a breach of contract with respect to a confidentiality agreement he signed, the 10th Circuit noted that even if Luzenac fails as per claims under the UTSA, it may nonetheless succeed in claiming breach of contract. The 10th Circuit found the confidentiality agreement unspecific as to what information was confidential. In remanding the claim for further proceedings, the 10th Circuit stated that the relevant factual questions include: "(1) whether Luzenac made it clear that the manufacturing process for 604AV and Luzenac's customer information were confidential, and (2) whether the information used by Mr. Hertz was exclusively in the public domain or known to him prior to his employment with Luzenac." Similarly to the breach of contract claim, the 10th Circuit stated that the conspiracy claim depends on the factual findings of the claim for misappropriation of trade secrets. As such, if a jury found that the production process for 604AV and Luzenac's customer list were trade secrets, then Hertz and Lighthart could be charged with conspiracy as well.

The 10th Circuit next addressed Hertz's attempt to amend his complaint with claim of abuse of process, which the District Court denied because the District Court found that Hertz failed to allege improper use of process by failing to meet the requirements to allege such a claim, and thus Hertz's attempt to amend his complaint was useless. The 10th Circuit stated that an abuse of process claim requires a showing of: "(1) an ulterior purpose for the use of a judicial proceeding; (2) willful action in the use of that process which is not proper in the regular course of the proceedings, i.e. use of a legal proceeding in an improper manner; and (3) resulting damage." *Lauren Corp. v. Century Geophysical Corp.,* 953 P.2d 200, 202 (Colo. Ct. App. 1998). With ulterior purposes being a coercive goal or some collateral advantage, whereas the 10th Circuit states that "Mr. Hertz's claim of abuse stems from Luzenac filing counterclaims against him for misappropriation of trade secrets. Any ulterior motives Luzenac might have had are insufficient to support an inference of improper use. " The 10th Circuit went on to state that "Luzenac is entitled to protect its trade secrets. Its counterclaims are an appropriate means of accomplishing that goal…" and that "Mr. Hertz has not identified any "collateral advantage" to be gained by Luzenac." Thus, the 10th Circuit affirmed the District Court's denial of Hertz's motion to amend his complaint.

Lastly, the 10th Circuit addressed Hertz's tortious interference with contract and with prospective business advantage. Hertz was contracted with IMI Fabi to receive a percentage of the profits from the sale of Genera. The 10th Circuit states that for a claim of intentional interference with contract, the plaintiff must show that the defendant "(1) was aware of the existence of the contract; (2) intended that one of the parties breach the contract; (3) induced the party to breach the contract or make it impossible for him or her to perform; and (4) acted "improperly in causing the breach." *Krystkowiak v. W.O. Brisben Cos.,* 90 P.3d 859, 871 (Colo. 2004). In Hertz's claim, he alleges that Luzenac's claims and litigation caused IMI Fabi to halt sales of Genara, and thus, Hertz's contract resulted in less performance that it would have had Luzanac not acted. However, the 10th Circuit noted that "Mr. Hertz concedes that IMI Fabi did not breach its contract," because IMI Fabi wasn't required to make any sales of Genera. Essentially, Hertz argues that IMI Fabi would have more fully performed on it's contract with Hertz had Luzenac not acted as it did. In rejecting such a premise for tortious interference, the 10th Circuit notes cites *Radiology Prof'l Corp. v. Trinidad Area Health Ass'n,* 577, P.2d 748, 749-751, and notes that a contract must be breached, and that realizing less profit is not sufficient grounds for Hertz to support a claims of tortious interference with contract.

With regards to intentional interference with prospective business relations, the 10th Circuit states that "the plaintiff must show that there is "a reasonable likelihood or probability that a contract would have resulted; there must be something beyond a mere hope." *Klein*, 44 F.3d at 1506," however, "Mr. Hertz cannot prove that he had more than "a mere hope" of entering into any future business deals with IMI Fabi." Thus, the 10th Circuit found that no reasonable jury could conclude from Hertz's evidence that Hertz had a reasonable probability of having a future contract with IMI Fabi. Thus, the 10th Circuit upheld the District Court's dismissal of Hertz's claim of tortious interference with prospective business advantage.

In summary, the 10th Circuit reversed and the District Court's summary judgment in dismissing Luzenac's claims for misappropriation of trade secrets because it found that there were issues of material fact to be decided by a jury. However, the 10th Circuit affirmed both the District Court's denial of Hertz's motion to amend his complaint with an abuse of process claim and

the District Court's dismissal of Hertz's tortious interference claims.

Significance for trade secret owners

Hertz presents a reminder that the bar for what constitutes a trade secret can be very low. Any collection of information, including a collection of already-known information, is eligible for trade secret protection. Thus, while trade secret owners must show and plead with particularity in defining their trade secret during litigation, defendants cannot merely point to the well known nature of the elements of the trade secret without accounting for the value of the collection itself.

Federal Circuit Affirms Claim Construction Of Product Characteristic As Structural Limitation Obtained Through Manufacturing Process.

In *Gemtron Corp. v. Saint-Gobain Corp.*, 572 F3d 1371; 91 USPQ2d 1409 (Fed. Cir. 2009), Gemtron is the assignee of two patents related to refrigerator shelves: U.S. Patent No. 6,679,573 (the 573 patent) and U.S. Patent No. 6,422,673 (the 673 patent). The 573 patent issued from a divisional of the application that issued as the 673 patent, and the two patents share a common specification. The refrigerator shelf disclosed in the 573 patent consists of two pieces—"a one-piece open frame" made of plastic, and a glass panel. The panel is secured to the frame using "relatively resilient" fingers such that the glass panel is "snap-secured" into place (unlike prior art shelves that utilized adhesives). The specification of the 573 patent teaches that avoiding adhesives is desirable for efficiency and cost purposes during manufacturing. The specification also includes a description of the way in which the glass panel is inserted into the frame when the shelf is assembled. Basically, the fingers on the frame bend up as the glass panel is being inserted into the frame, and then snap back into their original position to secure the glass.

In 2004, Saint-Gobain sued Gemtron, seeking a declaratory judgment of non-infringement and invalidity of the 573 and 673 patents. Gemtron counterclaimed for infringement. The only claim at issue in the appeal is claim 23 of the 573 patent, which recites the refrigerator shelf "including a relatively resilient end edge portion which temporarily deflects and subsequently rebounds to snap-secure one of said glass piece front and rear edges in the glass piece edge-receiving channel." Saint-Gobain admitted that its model SG1, SG2 and SG3 shelves met all of the limitations of claim 23, except the term at issue. The District Court construed the claim term in contention to mean that "the end edge portion is sufficiently resilient that it can temporarily deflect and subsequently rebound when glass is being inserted into the frame."

The parties moved for partial summary judgment concerning the infringement by the Saint-Gobain shelves, each with expert testimony. Gemtron's expert testified that when the accused shelves were heated, it was possible to insert the glass panel of each shelf into the frame by snap-securing the panel into the receiving channel of the frame. Saint-Gobain's expert testified that at room temperature, the frame was not sufficiently flexibly to allow insert of the glass. The District Court did not find any factual dispute from this testimony, given the different conditions for each test. The District Court held that infringement was established by the undisputed evidence that the glass panel could be snap-secured into the frames of the accused shelves during manufacture, when the frames were still warm. Thus, partial summary judgment of infringement of claims 23-30 of the '573 patent by the SG1, SG2, and SG3 shelves was granted.

After the resolution of a discovery dispute, Gemtron identified additional Saint-Gobain shelves as potentially infringing claim 23. Saint-Gobain's SG16 shelf was selected as representative of all remaining accused shelves for trial purposes. At trial, Gemtron presented a video showing its expert heating the frame of the SG16 shelf and snap-securing the glass panel into the frame. Gemtron also introduced evidence of Saint-Gobain's manufacturing process, including instructions for assembling the Sg16 shelf in Saint-Gobain's Mexico plant. The jury returned a verdict that the patent was not invalid and the SG16 shelf infringed claim 23 of the 573 patent. The District Court denied Saint-Gobain's post-trial motions for a new trial and JMOL, entered judgment in Gemtron's favor and granted and stayed a permanent injunction. Saint-Gobain appealed.

Saint-Gobain argues that the district court's construction of "relatively resilient" was incorrect, and that the district court erred by granting summary judgment of infringement, by denying Saint-Gobain's

motion for judgment as a matter of law on infringement, by denying Saint-Gobain's motion for judgment as a matter of law on obviousness, and by denying Saint-Gobain's motion for a new trial.

Claim Construction of "relatively resilient"

The Federal Circuit reviewed the issue of claim construction de novo, to determine the ordinary and customary meaning of the undefined claim term as understood by a person of ordinary skill in the art at the time of the invention. *Markman v. Westview Instruments, Inc.*, 52 F.3d 967, 970-71 (Fed. Cir. 1995) (en banc); *Cybor Corp. v. FAS Techs., Inc.*, 138 F.3d 1448, 1456 (Fed. Cir. 1998) (en banc). The Court determined the ordinary and customary meaning of undefined claim terms as understood by a person of ordinary skill in the art at the time of the invention, using the methodology in *Phillips v. AWH Corp.*, 415 F.3d 1303, 1312-19 (Fed. Cir. 2005) (en banc). "[T]he court looks to those sources available to the public that show what a person of skill in the art would have understood disputed claim language to mean. Those sources include the words of the claims themselves, the remainder of the specification, the prosecution history, and extrinsic evidence concerning relevant scientific principles, the meaning of technical terms, and the state of the art." Id. at 1314.

The only claim term at issue was "relatively resilient end edge portion which temporarily deflects and subsequently rebounds to snap-secure." The district court construed this term to mean that "the end edge portion is sufficiently resilient that it can temporarily deflect and subsequently rebound when glass is being inserted into the frame. (emphasis added). Saint-Gobain argued that the term should have been construed to mean that "the end edge portion is sufficiently flexible to permit the glass in the finished product to be pushed out of the frame and pushed back into the frame." (emphasis added). Saint-Gobain asserted that "relatively resilient" should specifically not mean "temporarily resilient immediately after cooking in an oven and before any opportunity to cool." Gemtron agreed with the district court's construction. Although the parties agreed that the limitation required the frame to be flexible at some point in time, they disagreed about precisely when the frame must be flexible to be "relatively resilient."

The Federal Circuit found that neither party identified any prosecution history or extrinsic evidence bearing on the claim construction issue. Thus, the Court limited its analysis to the claim language and the specification of the 573 patent. The Court noted that claim 23 itself had no express temporal or temperature limitation requiring that the end edge portion be relatively resilient "always," or "at all temperatures," or "when in use in a refrigerator." Further, the Federal Circuit observed that the claim did not merely claim a frame with an end edge portion that was "relatively resilient." Rather, the claim recited a frame with a "relatively resilient end edge portion which temporarily deflects and subsequently rebounds to snap-secure one of [the] glass piece front and rear edges in the glass piece edge-receiving channel." The Court held that the phrase "temporarily deflects and subsequently rebounds to snap-secure" suggested that the claimed resilience of the frame need only be exhibited during assembly because the "snap-secure" interaction of the frame and glass panel, facilitated by the "relatively resilient end edge portion," was a characteristic of the shelf that was maintained even after assembly in the claimed shelf. Citing to *In re Garnero*, the Federal Circuit asserted that the characteristic was a structural attribute, even though the claim language ties the "relatively resilient" characteristic of the frame's edge portion to its function in the assembly of the shelf. *In re Garnero*, 412 F.2d 276, 279 (CCPA 1969).

The Federal Circuit noted that the specification also focused on the characteristics of the frame that enable snap-secure assembly of the shelf. Specifically, the specification described the structure of prior art shelves in reference to their assembly. Further, the specification characterized all of the prior art as disclosing a shelf assembled using adhesive to bond the edge of the glass to the frame. Further, the specification stressed the advantages in the manufacturing and assembly process of the claimed structure due to its snap-secure assembly. The Court noted that every time the structure of the "relatively resilient" edge portions was mentioned in the specification, it was in the context of how that structure functions while the shelf is assembled. The specification failed to discuss any purpose or value of the "relatively resilient" edge portion of the frame other than in assembly of the shelf. The Court held that the specification indicated that the end edge portions of the frame were "relatively resilient" if they were able to deflect at the time the shelf was assembled, to "snap-secure" the glass panel within the frame. Thus, the Federal Circuit affirmed the District Court's construction of "relatively resilient" in claim 23 to mean that the end edge portion must be sufficiently resilient that it can temporarily deflect and subsequently rebound when glass is being inserted into the frame.

Saint-Gobain argued that this construction requiring only that the frame deflect during assembly transforms the

"relatively resilient" limitation of claim 23 into a product-by-process limitation. The Federal Circuit rejected this argument, asserted that the limitation only required that the glass panel be snap-secured into the frame. The Court held that snap-secure describes the structural relationship between the glass panel and the shelf frame. The Federal Circuit then provided a plethora of parentheticals asserting that if a limitation can be connoted by both structure and process, the default is to construe it as structural if it describes the product more by its structure. *3M Innovative Props. Co. v. Avery Dennison Corp.,* 350 F.3d 1365, 1371 (Fed. Cir. 2003); *Hazani v. U.S. Int'l Trade Comm'n*, 126 F.3d 1473, 1479 (Fed. Cir. 1997); *In re Garnero*, 412 F.2d at 279; Eric P. Mirabel, Product-By-Process Claims: A Practical Perspective, 68 J. Pat. & Trademark Off. Soc'y 3, 4-7 (1986). The Court held that defining a structural component by its function as well as its physical characteristics is different from defining a structure solely by the process by which it is made. Thus, the Federal Circuit's construction did not transform the "relatively resilient" limitation into a product-by-process limitation.

Infringement

The Federal Circuit noted that nowhere at summary judgment or trial did Saint-Gobain dispute that, during the manufacturing process for the accused shelves, when the glass is inserted into its frame, the frame is at a temperature such that it can temporarily deflect and subsequently rebound. At oral argument, Saint-Gobain did claim that its products were assembled using a "heat-shrink process," and it denied that, during manufacture, the frame is "resiliently flexed to snap over the glass." However, the Court found that the oral argument was directly contradicted by the video evidence of Saint-Gobain's manufacturing process admitted at trial, which clearly shows that, during Saint-Gobain's manufacturing process, while the frame is still warm from the molding process, the frame is pushed and temporarily deflected to accommodate the glass panel, then rebounded to snap-secure the glass in the frame. The Federal Circuit rejected Saint-Gobain's unsworn attorney argument to the contrary, and citing *Laitram Corp.* to assert that it was not evidence and could not rebut the video and other admitted evidence about Saint-Gobain's manufacturing process. *Laitram Corp. v. Cambridge Wire Cloth Co.*, 919 F.2d 1579, 1583 (Fed. Cir. 1990).

Saint-Gobain next argued that the accused shelves could not be infringing because they were manufactured in Mexico. When the shelves were imported into the United States, the frames had cooled and were no longer flexible. Saint-Gobain asserted that the accused shelves as imported and sold in the United States had to be modified, by heating them, to meet the "relatively resilient" limitation. The Federal Circuit rejected this argument. It noted that claim 23 was directed to an apparatus, not a process. The Court held that, under 35 U.S.C. § 271(a), an accused infringer infringes an apparatus claim if it "makes, uses, offers to sell, or sells" the claimed apparatus "within the United States," or "imports [the apparatus] into the United States." Thus, the Court held that the infringing act only (making, using, offering to sell, selling, or importing) must be within (or into) the United States. The Court cited *In re N. Pigment Co.* for the proposition that even if the infringing product was manufactured outside of the U.S., importing the product, or using, offering to sell, or selling the product in the U.S. would constitute infringement. *In re N. Pigment Co.*, 71 F.2d 447, 456 (CCPA 1934).

The Federal Circuit held that the term "relatively resilient" required merely that the frame of the shelf had the structural characteristic of having been temporarily deflected and subsequently rebounded to snap-secure the glass at the time of manufacture. The Court noted that Saint-Gobain did not dispute that it had imported the accused shelves, and used and sold them, in the U.S. The Court stated that the end portions of the frames of those shelves were "relatively resilient," as that phrase is used in claim 23, and met all of the limitations of claim 23. The Court failed to see any genuine issues as to any material fact as to infringement by the SG1, SG2, and SG3 shelves, and held that Gemtron was entitled to a judgment as a matter of law that those shelves infringed claim 23 of the 573 patent. Further, the Court asserted that substantial, undisputed evidence supported the jury verdict of infringement. Thus, the Federal Circuit affirmed the district court's grant of summary judgment of infringement, its denial of Saint-Gobain's motion for judgment of non-infringement as a matter of law, and its denial of Saint-Gobain's motion for a new trial on infringement.

Validity

The Federal Circuit reviewed the denial of judgment as a matter of law de novo, and the denial of Saint-Gobain's motion for a new trial for abuse of discretion. *Voda*, 536 F.3d at 1318; *Imwalle*, 515 F.3d at 543; *Morgan*, 559 F.3d at 434. The Court asserted that Saint-Gobain's appeal of both motions was based on a single argument that the only evidence of non-obviousness

(testimony from Gemtron's expert) should have been excluded as contrary to the 573 specification. Gemtron's expert testified that a person of ordinary skill in the art would not have expected that the claimed flexible frame could be used in a shelf that would support food loading.

The Federal Circuit dismissed this argument for two reasons. First, the Court held that Saint-Gobain did not seek to exclude or strike the expert's testimony at trial, thus waiving the issue on appeal. *Curcuru v. Peninsular Elec. Light Co.*, 258 F. 785, 790 (6th Cir. 1919). Second, the Court asserted that a shelf capable of supporting food loading was not directly contrary to the 573 patent. The Court agreed with Saint-Gobain that the specification of the '573 patent expressly described the ribs of the refrigerator compartment providing support to the shelf to prevent the frame from bending and allowing the glass to fall out. However, the Court held that the context of the specification allowed for the shelf alone to support food loading, with the ribs provided as additional support to prevent inadvertent distortion of the frame. Thus, the Court found that the specification did not contradict Gemtron's expert testimony that the shelf of the 573 patent was able to support food loading. The expert testimony thus provided substantial evidence that a person of ordinary skill in the art would not have expected the results of the combination recited in claim 23. The Federal Circuit held that the district court did not err by denying Saint-Gobain's motion for judgment as a matter of law, nor did it abuse its discretion by denying Saint-Gobain's motion for a new trial.

The Federal Circuit affirmed the district court's construction of the claim term "relatively resilient end edge portion" to mean that the end edge portion is sufficiently resilient that it can temporarily deflect and subsequently rebound when glass is being inserted into the frame. Applying this construction, the Federal Circuit further affirmed the district court's grant of summary judgment, its denial of Saint-Gobain's post-trial motions as to both infringement and validity, and its grant of a permanent injunction.

Significance to Patent Applicants

Gemtron Corp. demonstrates the importance of the specification in defining relative claim terms. In *Gemtron Corp.*, the relative term "relatively resilient" was defined in the specification relative to both the time (time of manufacture) and amount (the amount of resiliency), which provided the necessary coverage. Further, merely because the relative claim term relies on processes for in the specification does not convert the relative term to a product by process limitation, but instead the process is used to define the structural element itself. Thus, when relative claim terms are to be used, it is important to ensure that an accurate description is included in the specification to anchor the claim term to something which can be defined (and preferably using multiple examples) since it is this description which will be used to define the metes and bounds of the relative term.

7th Circuit Finds Failure To Respond To Admissions Sufficient To Support Summary Judgment

In *Gabbanelli Accordions & Imports, L.L.C., v. Ditta Gabbanelli Ubaldo Di Elio Gabbanelli,* 91 USPQ2d 1599 (7th Cir. 2009), Plaintiff, "American Gabbanelli," and Defendant, "Italian Gabbanelli," have a long history of business relationships and law suits. In the 1960s, American Gabbanelli began as the U.S. distributer for the predecessor of Italian Gabbanelli, a manufacturer of accordions in Italy. In the late 1990s, American Gabbanelli obtained U.S. trademark registrations for the mark GABBANELLI for use in association with accordions, and America Gabbanelli imported accordions from Italian Gabbanelli as well as other manufacturers.

In 1999, American Gabbanelli sued Italian Gabbanelli in Italian court over Italian Gabbanelli's use of www.gabbanelli.com and use of the GABBANELLI mark for advertising over the internet. Italian Gabbanelli won, but two more trademark suits were filed in Italian court, one by each of American Gabbanelli and Italian Gabbanelli. American Gabbanelli and Italian Gabbanelli settled by a settlement agreement resulting in American Gabbanelli having exclusive rights to use the mark in the United States and Italian Gabbanelli having exclusive rights to use the mark in Italy. The settlement agreement also provided an arbitration provision requiring that "any further controversy" would be resolved through arbitration in which each party would choose an arbitrator, and the two arbitrators would choose a third arbitrator.

After another controversy arose, the two parties entered arbitration and each selected an arbitrator. However, the third arbitrator has never been appointed

and no arbitration has been conducted under the arbitration provision of the settlement agreement.

In May of 2002, Italian Gabbanelli sued American Gabbanelli in Italian court seeking transfer of American Gabbanelli's U.S. Trademarks to Italian Gabbanelli. The Italian court ruled in Italian Gabbanelli's favor.

The current appeal to the 7th Circuit arises from a suit filed by American Gabbanelli in January 2002 alleging that Italian Gabbanelli was liable for trademark infringement of the GABBANELLI mark. In July 2002, an unrepresented Italian Gabbanelli sent a letter to the district court alleging that the court did not have jurisdiction because of the arbitration provision of the settlement agreement. The district court rejected such argument because Italian Gabbanelli had waived its right to insist on arbitration by filing suit in Italy against American Gabbanelli in violation of the arbitration provision. Further, the 7th Circuit noted that a contractual arbitration agreement does not affect a court's jurisdiction but operates as a defense to suit.

The district court stayed further proceedings pending the outcome of the Italian suit. However, in May 2005, the district court became impatient and lifted the stay. American Gabbanelli promptly served Italian Gabbanelli with requests for admissions in which American Gabbanelli asked Italian Gabbanelli to admit liability on all claims. In October 2005, well past the deadline to respond to the requests for admissions, Italian Gabbanelli made an appearance through counsel. American Gabbanelli filed for summary judgment, which was granted because Italian Gabbanelli was deemed to have admitted all of the admissions in American Gabbanelli's requests for admissions because Italian Gabbanelli failed to respond to such requests. The 7th Circuit stated that "Italian Gabbanelli had no excuse for ignoring its opponent's request for admissions long, long past the deadline" because Italian Gabbanelli had Italian lawyers at the time that could have contacted an American firm and the request to rescind the admissions was not made until 2 years after Italian Gabbanelli's attorneys' appearance in court. With Italian Gabbanelli's admissions of record, summary judgment was inevitable and proper because the district court was not required to rescind the admissions.

The 7th Circuit then asked: what of the Italian court's ruling in favor of Italian Gabbanelli? All in all, it is of no consequence because the district court's ruling came first such that the Italian court's ruling cannot be pleaded as res judicata. Although the United States is not a signatory to any treaty governing recognition of foreign judgments, United States' courts can recognize the res judicata effects of foreign judgments. But, due to the timing of the court decisions, it appears more likely that the United States district court would have a res judicata effect on the Italian court's ruling. Thus, it is determined that Italian Gabbanelli's challenge to liability fails.

However, Italian Gabbanelli has a legitimate grievance concerning the damages awarded by the district court, specifically, $151,200 in lost profits plus statutory damages of $500 per infringing accordion. Of concern are the statutory damages of $500 *per infringing accordion*. Statutory damages are only available under the Lanham Act when the violation of the Act involves use of a "counterfeit" mark. 15 U.S.C. §1117(c). A "counterfeit" mark is a "spurious mark which is identical with, or substantially indistinguishable from, a registered mark. §1116(d)(1)(B)(ii). Cases in which the mark is placed on the defendant's product with the trademark owner's consent but then the product is distributed through an unauthorized channel, i.e., grey market products, are not eligible for statutory damages. Because Italian Gabbanelli placed the GABBANELLI mark on accordions produced by a company not authorized to sell such accordions in the United States, Italian Gabbanelli counterfeited the accordions.

Thus, statutory damages were available to American Gabbanelli; but "statutory damages may be awarded only in cases in which compensatory damages are not awarded for the same violation." See 35 U.S.C. §1117(c). Although it is possible to apply statutory damages to some violations and compensatory damages to other violations in the same action, here, the compensatory damages and the statutory damages pertain to the same accordions that Italian Gabbanelli sold in violation of American Gabbanelli's trademark rights. Thus, the statutory damages are not proper.

Further, the statutory damages awardable in counterfeit trademark cases is "not less than $500 or more than $100,000 per counterfeit mark per type of goods or services sold, offered for sale, or distributed as the court considers just." 15 U.S.C. §1117(c). The award is *per counterfeit mark per type of goods*, not per individual item bearing the counterfeit mark. Thus, the statutory damages are further improper.

Therefore, the holding that Italian Gabbanelli infringed American Gabbanelli's trademark rights in the mark GABBANELLI was affirmed; but, the awards of damages and attorneys' fees, which will have to be re-determined, are reversed.

Significance to Trademark Owners and Litigants

While the outcome in *Gabbanelli* is not surprising since not responding to a lawsuit is never advisable, *Gabbanelli* serves as a reminder as to why a party should serve a request for admissions during discovery. As occurred in Gabbanelli, the failure to respond to the request worked as to admissions as to facts, and these admitted facts were the foundations of the court's ultimate granting of a summary judgment for trademark infringement. In this way, even where an opposing party makes a late appearance, if the entry is after the response time for the request, a motion for summary judgment could be granted without further discovery or trial.

8th Circuit Finds Laches Delay Begins When Infringement Is Actionable But That Knowledge of Objection Hinders Laches Defense

In *Champagne Louis Roederer v. J. Garcia Carrion S.A.*, 569 F.3d 855; 91 USPQ2d 1214 (8th Cir. 2009), the plaintiff produces, among other things, a high-end champagne sold under the mark CRISTAL that was initially created in 1876 as the official wine of the Imperial Court of Russia. Carrion is a Spanish corporation owned by another Spanish corporation Priesca. Priesca also owns a Spanish winery Jaume Serra. In 1998, Jaume Serra and Carrion merged into a single entity operating under the Carrion name. Prior to that merger, in 1984, Jaume Serra began making cava, a type of sparkling wine distinct from champagne. By 1987, Jaume Serra was selling its cava under the names "Cristalino Jaume Serra" or "Cristalino." By 1989, Jaume Serra was selling Cristalino cava in the United States. By 1997, Cristalino had sold nearly 400,000 bottles in the United States.

In 1989, Roederer successfully objected to Jaume Serra's attempt to register the "CRISTALINO" mark in Spain. Roederer filed a similar objection to the registration of the "CRISTALINO JAUME SERRA" mark in Colombia in 1991, but inexplicably abandoned those proceedings in 2000. Similarly, Roederer abandoned its opposition to Jaume Serra's application to register "CRISTALINO JAUME SERRA" in the U.S. in 1997. Roederer first learned that Cristalino was being sold in the U.S. in 1995. In unrelated proceedings before the U.S. Patent and Trademark Office, Roederer's attorneys came across an affidavit indicating that "a sparkling wine from Spain called Cristalino" was found on sale at a Cost Plus store in California on June 8, 1995.

After the merger of Carrion and Jaume Serra, Carrion spent 14 million Euros between 1997 and 2002 to modernize and expand its winery facilities, improving Jaume Serra's cava production. In February 2002, Carrion's U.S. intent-to-use trademark application to register the "CRISTALINO" mark was published for opposition. In June and July 2002, Roederer responded with cease-and-desist letters requesting that Carrion withdraw its application for the CRISTALINO mark. Carrion refused. Roederer filed its notice of opposition with the Trademark Trial and Appeal Board ("TTAB Board"). Roederer filed suit in January 2006, and its opposition was stayed pending the instant suit.

The district court granted Carrion's motion for summary judgment, asserting that Roederer's claims for trademark infringement were barred by the doctrine of laches. The court determined that Roederer was put on constructive notice that Cristalino was being sold in the United States in 1995 when its attorneys read about the sale in an affidavit. The court held that it would be inequitable to permit Roederer's request for injunctive relief because Carrion made substantial investments in its facilities between 1995 and 2002, the time when Roederer first objected to Carrion's use of the "CRISTALINO" mark in the United States.

The Eight Circuit reviewed the district court's grant of summary judgment for abuse of discretion since the determination of laches as applied was within the sound discretion of the district court. *Brown-Mitchell v. Kansas City Power & Light Co.*, 267 F.3d 825, 827 (8th Cir. 2001). Laches is an equitable defense to an action to enforce a trademark. *Hubbard Feeds, Inc. v. Animal Feed Supplement, Inc.*, 182 F.3d 598, 601 (8th Cir. 1999). To successful assert laches as a defense, the defendant must show: (1) a delay in asserting a right or a claim; (2) that the delay was not excusable; and (3) that there was undue prejudice to the party against whom the claim is asserted. *Kason Indus., Inc. v. Component Hardware Group, Inc.*, 120 F.3d 1199, 1203 (11th Cir. 1997). Further, in trademark suits, courts also consider: (1) the doctrine of progressive encroachment, and (2) notice to the defendant of the plaintiff's objections to the potentially infringing mark.

Delay in asserting trademark rights

The Eight Circuit noted that the time of delay is to be measured from when the infringement became actionable and provable, not from the time when the plaintiff first learned of the potentially infringing mark. See *Angel Flight of Ga., Inc. v. Angel Flight Am., Inc.*, 522 F.3d 1200, 1207 (11th Cir. 2008). The doctrine of progressive encroachment mitigates a potentially inequitable dilemma for trademark holders. Rather than making trademark holders sue immediately and lose because the alleged infringer is insufficiently competitive to create a likelihood of confusion, or wait and be dismissed for unreasonable delay, the doctrine of progressive encroachment enables a timely and potentially successful claim for trademark holders. See *Sara Lee Corp.*, 81 F.3d at 462.

The district court found that Roederer inexcusably delayed in asserting its claim, because it was on notice in 1995 when attorneys learned of the use of mark "CRISTALINO" in the U.S. The Eight Circuit held that the district court failed to conduct a meaningful analysis of when infringement would become actionable to determine the period of delay. The district court did not reference trademark infringement law, but instead merely stated that "the evidence shows that sales of Cristalino have been greater than sales of Cristal since at least the mid-1990's" and that "evidence of significant changes in the quality of the cava is lacking." The Eight Circuit found that this meager analysis did not merit the finding that Roederer had an actionable claim in 1995.

The Eight Circuit noted that trademark infringement through the Lanham Act is only actionable when the use of a mark in connection with goods or services is likely to cause confusion as to the source or sponsorship of the goods or services. *Davis v. Walt Disney Co.*, 430 F.3d 901, 903 (8th Cir. 2005). In evaluating the likelihood of confusion, the following factors are considered: 1) the strength of the plaintiff's mark; 2) the similarity between plaintiff's and defendant's marks; 3) the degree to which the allegedly infringing product competes with the plaintiff's goods; 4) the alleged infringer's intent to confuse the public; 5) the degree of care reasonably expected of potential customers, and 6) evidence of actual confusion.

Given these factors, the Eight Circuit ruled that the district court's findings did not support the finding that Roederer had an actionable claim in 1995. Specifically, the Eight Circuit noted that while "Cristalino's sales volume had edged past that of Cristal in 1995," this fact in and of itself does not establish that an actionable claim existed as of that time. Moreover, the Court noted that the qualities of the two wines "were so disparate in 1995 as to preclude Roederer's infringement claim." Thus, the Eight Circuit held that the determination as to when a claim is actionable for purposes of determining when the laches delay period begins requires a likelihood of confusion analysis and more "than merely citing marginal or irrelevant factors without reference to any of the principles governing trademark infringement."

Notice and Undue Prejudice

Next, the Eight Circuit noted that a defense of laches is less persuasive if the defendant had knowledge that the plaintiff objected to the use of the mark. The defendant's knowledge can be understood either as an assumption of risk, or as a factor that prevents the defendant from suffering undue prejudice. See McCarthy, supra, § 31:12. In either case, knowledge that a plaintiff objects to the use of a mark generally prevents a defendant from making a laches defense. See *Elvis Presley Enters., Inc. v. Capece*, 141 F.3d 188, 205 (5th Cir. 1998); *Conan Props., Inc. v. Conans Pizza, Inc.*, 752 F.2d 145, 151-52 (5th Cir. 1985); *Citibank v. Citibanc Group, Inc.*, 724 F.2d 1540, 1546-47 (11th Cir. 1984).

Here, Carrion was on notice that Roederer objected to the use of the "CRISTALINO" mark. Roederer successfully opposed Jaume Serra's registration of the "CRISTALINO" mark in Spain in 1990. Further, Roederer had also opposed the registration of the "CRISTALINO JAUME SERRA" mark in Columbia in 1991 and in the U.S. in 1997. Although the district court gave Carrion standing to assert the defense of laches, the Federal Circuit held that the district court disregarded the fact that Carrion had to be deemed constructively aware of Roederer's opposition to the "CRISTALINO" mark before its merger with Jaume Serra in 1998. Carrion's financial director testified that he knew of no attempt by Carrion to determine whether any of Jaume Serra's marks were infringing at the time of acquisition. However, the Court found that the testimony did not change the fact that Roederer had made known its objections to the use of both the "CRISTALINO" and "CRISTALINO JAUME SERRA" marks. Even if Carrion was able to show that it expanded and improved the Jaume Serra facilities because of Roederer's delay in bringing suit in the United States, the Eight Circuit stated that it cannot claim that it was ignorant of the fact that Roederer opposed the registration of the "CRISTALINO" and "CRISTALINO JAUME SERRA" marks. See *Elvis Presley*

Enters., 141 F.3d at 205; *Conan Props.*, 752 F.2d at 151-52; *Citibank*, 724 F.2d at 1546.

The Eight Circuit also found that the district court erred in finding that Carrion would be prejudiced by this delay if Roederer's suit were permitted to proceed. The appellate court asserted that no evidence existed, outside of Carrion's self-serving assertions, that Carrion would not have made investments in the Jaume Serra plant had Roederer objected earlier. Because the Cristalino brand accounted for only 9% of Jaume Serra's output after the improvements to the facilities, the Eight Circuit did not place as much emphasis as the district court on the investment Carrion made to improve the Jaume Serra facilities. Rather, the Eight Circuit acknowledged that when a defendant has invested generally in an industry, and not a particular product, the likelihood of prejudicial reliance decreases in proportion to the particular product's role in the business. *See Univ. of Pittsburgh v. Champion Prods., Inc.,* 686 F.2d 1040, 1048-49 (3d. Cir. 1982). Consequently, the Eight Circuit held that Carrion failed to show that it suffered undue prejudice as a result of Roederer's delay in bringing suit, thus barring Carrion's laches defense. As a result, the Eight Circuit reversed and remanded the case.

Florida Court Finds Confidentiality Agreement Does Not Preclude Release under Florida's Public Records Act

The Associated Press v. Florida State University Board of Trustees, Case No: 09-CA-2298 (Circuit Court of the Second Judicial Circuit of Florida, August 28, 2009) stems from allegations of academic misconduct against Florida State University's (FSU) athletic program in March 2007. Upon becoming aware of the allegations, FSU conducted a comprehensive investigation and reported its findings to the National Collegiate Athletic Association (NCAA). In turn, the NCAA issued a Notice of Allegations to FSU, and conducted a hearing with respect to the allegations in October 2008. In March 2009, the NCAA's Committee on Infractions imposed various penalties against FSU, including vacating certain past wins. In response, FSU hired GrayRobinson, a Florida law firm, for representation on appeal.

The NCAA allows a party appealing an infractions decision to view documents on the record of the appeal via the NCAA's secure website, which is password protected and prohibits saving, copying, downloading, or printing of any documents viewed thereon. To further maintain confidentiality of documents on its site, the NCAA requires a user to execute a confidentiality agreement prior to accessing the site. Accordingly, on March 27, 2009, attorneys from GrayRobinson executed confidentiality agreements in order to gain access to various documents on the record, via the NCAA's secure website, while preparing FSU's appeal. GrayRobinson filed an initial appeal brief on April 23, 2009 via the website. On June 2, the NCAA issued a written response, made available to FSU on the secure website.

No physical representation of the written response were received by FSU or GrayRobinson, and the only access to the written response and related documents was through accessing the NCAA website under the terms of the executed confidentiality agreement.

Plaintiffs in this case include the Associated Press and 25 other media organizations. In a letter dated June 4, Plaintiffs requested the June 2 NCAA response from FSU and the NCAA. After initially failing to provide the response, Plaintiffs filed their complaint for this case in June 15, 2009. The next day, the NCAA informed FSU that it would not object to a disclosure of a transcript of the response, in compliance with any applicable privacy laws and exemptions, though the NCAA refused FSU's request for a usable copy of the response. On June 18, FSU transcribed the response from the NCAA website, though redacting identifiable information of students, and provided the redacted response to the public.

In this litigation, Plaintiffs sued under the Florida Public Records Law seeking the transcript of the October 2008 hearing and an actual copy, as opposed to the redacted transcript, of the NCAA's June 2009 response. The Defendants are FSU's board of trustees, the NCAA, and GrayRobinson.

Public Record Includes Any Reviewed Document

In determining the scope of the Florida Public Records Law, the court reviewed §119.011(12) Fla. Stat. and Article I, Section 24, which require dissemination of public records. Specifically, Article I, Section 24 of the Florida Constitution, which grants public access to any public record "made or received in connection with the official business of any public body, officer, or employee of the state, or persons acting on their behalf." Thus, the issue before the Court is whether the October hearing transcript and the June response are public records, and thus subject to Florida's open records law.

Specifically, the Court must determine whether these documents were "received" by GrayRobinson (i.e., FSU's agent). In other words, the court must determine if the term "received" encompasses review of the documents on the NCAA's website.

The NCAA argues that documents must be physically received or possessed in order to be "received" for purposes of the statute. Thus, documents that are merely viewed on the NCAA's Custodial site are not received and, therefore, not public records. The Plaintiffs argue that the NCAA's interpretation is too narrow, and FSU's agents' viewing of the records on the site sufficiently constitutes receipt.

The Court agrees with the Plaintiffs. In rendering his decision, Judge Cooper cited *City of Miami v. Berns*, 245 So.2d 38 (Fla. 1971) and *Dade Aviation Consultants v. Knight Ridder, Inc.* 800 S.2d 302 (Fla. 3d DCA 2001)for the proposition that it is well settled law that the Public Records Act is to be liberally construed in favor of releasing documents, and that any doubts must be in favor of disclosure. Under this, Judge Cooper found the NCAA's definition of the term "received" as too narrow. Because the documents in question were viewed by FSU's agents on their behalf, were used by FSU's agents in representing FSU on appeal, and were in connection with the official business of FSU, the documents were "received" and are therefore public records under statute. In particular, Judge Cooper reasons that "[t]o adopt a narrow position that 'received' requires physical delivery would emasculate the policy of open government embodied in the Public Records Act and Florida's Constitution and would provide clever proponents of secret communication with government an easy mechanism for avoiding the public's right to know what its government is doing."

Moreover, with respect to the June response, the transcript provided by FSU is not sufficient due to its divergent format from the original response. However, Judge Cooper does hold that FSU and GrayRobinson did comply with the Public Records Act with respect to the June response, as the parties provided to the Plaintiffs what they believed they had available at the time (i.e., the transcript).

Accordingly, the NCAA is responsible for the public records requested as the custodian thereof "because it is the entity that has the primary, 'original' copy of the records requested." In particular, Florida courts have recognized that public records may be in the custody of private entities, though the private entity assumes the same responsibilities therefore under the law. *Times Pub'g Co. v. City of St. Petersburg*, 558 So. 2d 487 (Fla. 2d DCA 1990). These responsibilities include ensuring access to the public. Merely because the NCAA maintained the records and did not supply the same in physical form to FSU or GrayRobinson did not preclude their being considered public records. Thus, since these records were created for use in official public business for a state agency and its agent GrayRobinson, these records were subject to Florida's Public Record Act.

However, the Court does disclaim that the ruling is not a determination on all records created by the NCAA, but only those in issue here that are received by FSU via its agent.

Confidentiality Agreement Void As Contrary to Law

In addressing the fact that FSU and GrayRobinson executed confidentiality agreements in order to participate in the appeals process, Judge Cooper held that such an agreement is void. Specifically, Judge Cooper cited to *Sepro Corp. v. Dept. of Environmental Protection*, 839 So.2d 781 (Fla. 1st DCA 2003) & *Tribune Co. v. Hardee Memorial Hosp.*, 19 Media L. Rep. 1318 (Fla. 10th Cir. Ct. August 19, 1991) for the proposition that such agreements are "void and unenforceable under Florida Law." Thus, while the confidentiality agreements made it difficult for FSU to provide access for fear of NCAA penalties, such "self-imposed barriers" are not a legal excuse from compliance with the Florida Public Records Act. Thus, since it is ultimately the responsibility of the state agency to prove that a public record is not releasable and absent a statutory exemption, the NCAA must provide to the Plaintiffs the version of the June response posted on its website (though with the redactions), and must provide to the Plaintiffs the October hearing transcript.

Significance for Licensors of IP to States

As explained in greater detail in Chapter 5 of INTELLECTUAL PROPERTY IN GOVERNMENT CONTRACTS: PROTECTING AND ENFORCING IP AT THE STATE AND FEDERAL LEVEL (Oxford University Press 2009), it is important to recognize that, like licenses with the Federal government, licenses with State governments are subject to specific State laws. Of special concern for licensors are the various State open records acts, which greatly restrict a State official's ability to restrict information used by the official in an official capacity. Therefore, *The Associated Press v. Florida State University Board of Trustees* presents a reminder that licensors to State agencies need to take extra care to ensure that their license is enforceable against that agency.

Feature Comment: The Heightened Disclosure Requirement for Software Claimed Using Means-Plus-Function Limitations

By Gregory L. Clinton[1]

I. INTRODUCTION

The question of whether a computer component discloses adequate structure for a corresponding means-plus-function claim limitation has been a recurrent issue in recent Federal Circuit jurisprudence, most recently in the cases of *Blackboard Inc. v. Desire2Learn Inc.*, 91 U.S.P.Q.2d 1481, 1483 (Fed. Cir. 2008). and *Net MoneyIN Inc. v. VeriSign Inc.*, 88 U.S.P.Q.2d 1751 (Fed. Cir. 2008). In both cases the specification of the patents at issue did not provide adequate support for means-plus-function limitations in the claims. Although the use of means-plus-function claims has fallen out of favor in recent years, means-plus-function claims remain useful in some situations. Accordingly, a brief discussion on what to include in a specification to ensure proper support for such claims may be helpful to avoid problems during prosecution or litigation

II. ENABLEMENT OF SOFTWARE MEANS-PLUS-FUNCTION CLAIMS

Both of the two cases previously mentioned, *Blackboard* and *Net MoneyIN*, revolved in part around whether the specification provided adequate support for particular mean-plus-function limitations. In both cases, the specification was found not to provide adequate support because the specifications merely described a general purpose computer, without any corresponding "structure" to which the means-plus-function claims could be tied. In *Blackboard*, the patent was directed toward an Internet-based educational support system. *Blackboard Inc. v. Desire2Learn Inc.*, 91 U.S.P.Q.2d 1481, 1483 (Fed. Cir. 2008). The claim limitation at issue recited "means for assigning a level of access to and control of each data file based on a user of the system's predetermined role in a course…" *Id.* at 1490. Blackboard argued that the corresponding structure was an "access control manager" disclosed in the specification, citing to a particular paragraph describing the access control manager in largely functional terms. *Id.*

The district court disagreed, finding the specification lacking the necessary structure to support the "means for assigning", and the Federal Circuit affirmed. *Blackboard* at 1490. The Federal Circuit found that the access control manager was nothing more than a "black box". *Id.* The specification provided no insight as to <u>how</u> the access control manager carried out the disclosed functionality. *Id.* In particular, the specification did not describe the structure of the access control manager or explain the process by which the access control manager performed the disclosed function. *Id.*

The Federal Circuit rejected Blackboard's arguments that the disclosed access control manager could be any computer device or program that performs the function of access control. *Blackboard* at 1491. The Federal Circuit viewed the argument as an attempt to avoid the requirement to disclose the structure associated with the means-plus-function limitation. Blackboard was attempting to avoid the "price" of the means-plus-function limitation (namely, the requirement to disclose the corresponding structure) by attempting to claim the structure in purely functional terms, without any limit imposed by a structure disclosed in the specification. *Id.* What is important, the Federal Circuit held, was the means for achieving the intended outcome, not a mere description of that outcome. *Id.*

One of the cases cited in the *Blackboard* decision, *Net MoneyIn, Inc. v. Verisign, Inc.*, expanded on the requirements in the disclosure for means-plus-function claims and computer-related structures. The limitation in that case was a "means for generating an authenticating indicia" as part of a recited "first bank computer". *Net MoneyIn, Inc. v. Verisign, Inc.*, 88 U.S.P.Q.2d 1751, 1755 (Fed. Cir. 2008). After concluding that the limitation was properly construed as a means-plus-function limitation, the Federal Circuit looked to the specification for the corresponding structure, and found only a description of a general purpose bank computer that could be programmed to perform the recited function. *Id.*

The Federal Circuit reviewed prior holdings that the structure disclosed in the specification must be more than simply a general purpose computer. *Net MoneyIN* at 1755. If the disclosed structure is a computer, then the disclosure must be directed not to the general

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purpose computer itself, but to the algorithm which the general purpose computer is programmed to perform. *Id.* The operation of the algorithm performed by the general purpose computer transforms the general purpose computer into a special purpose computer designed to perform the disclosed algorithm. *Id.* Thus, if the specification fails to disclose the algorithm performed by the general purpose computer to carry out the recited function, then the claim is invalid under 35 U.S.C. § 112 for failing to disclose the necessary structure corresponding to the means-plus-function limitation. *Id.* at 1757.

A. GENERAL PURPOSE COMPUTER PERFORMING A DISCLOSED ALGORITHM

The Federal Circuit's decision in the *Blackboard* and *Net MoneyIn* cases relied on its prior decision in *WMS Game Inc. v. Int'l Game Tech.*, which in turn drew upon the landmark *State Street Bank* and *Alappat* decisions. The patent at issue in *WMS Gaming* was directed toward an improved slot machine. *WMS Gaming, Inc. v. Int'l Game Tech.*, 51 U.S.P.Q.2d 1385, 1387 (Fed. Cir. 1999). In traditional mechanical slot machines, reducing the probability of winning required either increasing the number of reels in the machine or increasing the number positions in each reel, neither of which appealed to players. *Id.* The patent at issue in the case disclosed an electronically controlled slot machine. *Id.* The reels in the machine served only to display the results selected by the electronic control system. *Id.* The control system randomly selects a number from a range greater than the number of positions on the reel, looks up the corresponding result in a mapping table, and controls the reels to display the selected result. *Id.*

The claim term at issue recited "a means for assigning a plurality of numbers representing said angular positions of said reel, said plurality of numbers exceeding said predetermined number of radial positions such that some rotational positions are expressed by a plurality of numbers." The district court interpreted the term to refer to "any table, formula, or algorithm for determining correspondence between the randomly selected numbers and rotational positions of the reel." *WMS Gaming* at 1391. The Federal Circuit, however, found this interpretation to be too broad.

The flaw in the district court's construction, the Federal Circuit held, lay in the district court's failure to limit the claim to the algorithm disclosed in the specification. *WMS Gaming* at 13. The Federal Circuit reasserted its opinion in *Alappat* that a general purpose computer programmed to perform a given algorithm in effect becomes a new computer. The general purpose computer in effect becomes a special purpose computer performing the disclosed algorithm. *Id.* (citing *In re Alappat*, 31 U.S.P.Q.2d 1545, 1558 (Fed. Cir. 1994)). Thus, in the context of means-plus-function claims, the structure is not the general-purpose computer, but rather the special purpose computer programmed to carry out the disclosed algorithm. Applying this construction to the "means for assigning" limitation, the Federal Circuit held the corresponding structure to be a processor programmed to carry out the algorithm disclosed in Figure 6 of the patent.

The algorithm was disclosed in the patent at issue in *WMS Gaming* in the form of a diagram illustrating the operation of the algorithm. However, patent applicants can express the algorithm in a variety of ways. The algorithm can be explained as a diagram (as in *WMS Gaming*), as a mathematical formula, as a flowchart, or in prose. *See Finisar Corp. v. DirecTV Group, Inc.*, 86 U.S.P.Q.2d 1609, 1623.

B. SPECIAL PURPOSE COMPUTER

The Federal Circuit's justification for defining algorithms as the important element for computer-related structures corresponding to a means-plus-function limitation relies upon the concept that a general purpose computer performing a disclosed algorithm can be seen as a special-purpose computer programmed to perform the function. From this premise, it follows that a special-purpose computer could also be used as a sufficient structure. Instead of disclosing an algorithm and a general-purpose computer to perform the algorithm, a patent applicant can instead disclose a special-purpose computer as the corresponding structure for a means-plus-function limitation. Such a disclosure could come in the form of, for example, a detailed circuit diagram or schematic of the individual components of the special purpose computer. A patent applicant may find such an alternative useful in situations where the novelty or inventive aspect lies more in the structure of the component than in the algorithm to be performed.

III. EXAMPLES

Federal Circuit jurisprudence permits the algorithm to be disclosed in a variety of ways. The algorithm may be disclosed by a flowchart, a diagram, a formula, or prose. *Finisar* at 1623. Several cases illustrate the variety of ways in which a patent can disclose the necessary algorithm to support a means-plus-function case. For example, the algorithm in *WMS Gaming* was disclosed by a combination of prose description in the specification and a figure. *See* U.S. Patent No. 4,448,419 at Fig. 6 and col. 4, line 55 – col. 5, line 5.

In *Harris Corp. v. Ericsson Inc.*, the algorithm was disclosed in a flowchart and corresponding textual description. *Harris Corp. v. Ericsson Inc.*, 75 U.S.P.Q.2d 1705, 1714 (Fed. Cir. 2005) (citing to various portions of U.S. Patent No. 4,365,338, including a flowchart shown in Figs. 8A and 8B). The Federal Circuit disagreed with the district court's finding that the recited "time domain processing means" corresponded to the disclosed "symbol processor", because the symbol processor did not incorporate a disclosed algorithm. The Federal Circuit instead found the disclosed structure to correspond not only to the symbol processor (which in turn included a support processor and a fast array processor) but also to a data recovery algorithm performed by the support processor. *Id.* The data recovery algorithm was disclosed in the specification as a flowchart diagram and corresponding description. *See* U.S. Patent No. 4,365,338 at Figs. 8A, 8B, and 9.

The knowledge of a person of ordinary skill in the art can also support a disclosed structure or algorithm. The patent at issue in *AllVoice Computer PLC v. Nuance Communications Inc.* recited an "output means" as a part of a system to facilitate speech recognition. *AllVoice Computer PLC v. Nuance Communications Inc.*, 84 U.S.P.Q.2d 1886, 1891. AllVoice's patent was directed toward an interface that converted spoken words into a data format compatible for word processors. *Id*. The specification disclosed a speech recognition interface which, as part of its functionality, received a translated word and output the word via a dynamic data exchange (DDE) protocol. *Id*. Expert testimony established that this protocol was well known to persons of skill in the art of Windows programming. *Id*. Thus, the person of ordinary skill in the art would have been well apprised of a structure corresponding to the disclosed DDE protocol.

The *AllVoice* decision contrasts with the *Blackboard* and *Net MoneyIn* cases discussed above. In both cases, the patentee attempted to rely upon the knowledge of a person of ordinary skill in the art to support the disclosed structure, but of the three, only AllVoice succeeded in convincing the Federal Circuit. The distinguishing feature lies in the extent to which the parties relied upon the knowledge of the person of ordinary skill in the art. The disclosures of the *Net MoneyIN* patent and the *Blackboard* patent contained no element or internal structure of the various components. The components were simply "black boxes" that a person of ordinary skill in the art could have programmed to perform the recited function. *Compare Net MoneyIN*, 88 U.S.P.Q. 2d at 1756 *and Blackboard*, 91 U.S.P.Q.2d at 1491. However, the disclosure of the *AllVoice* patent described the structure of the component in terms that would be understood by a person of ordinary skill – namely, the DDE component, which was a structure known in the art for carrying out a particular function. This provided enough structure to render the corresponding means limitation definite.

IV. CONCLUSION

As can be seen in the above cases, patent application drafters should pay special attention to the specification if means-plus-function claims are to be used. If computer components are to be disclosed as the structure corresponding to a means-plus-function, either the specific structure of the corresponding component(s) should be disclosed (i.e. a special-purpose computer), or the algorithm carried out by the corresponding component(s) should be disclosed. The algorithm can be disclosed in a variety of ways, including flowcharts, written explanation, diagrams, mathematical formulae, or a combination of these. By disclosing the algorithm and the particular components, the careful patent drafter can avoid the definiteness problems that arose in *Net MoneyIN* and *Blackboard*.

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