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Federal Circuit Clarifies Knowledge Required for Inducement

Federal Circuit Clarifies Standards for Inducement and for Sales in the United States.

In *SEB S.A. v. Montgomery Ward & Co.*, 93 USPQ2d 1617 (Fed. Cir. 2010), SEB manufactures and sells cooking products in the United States through a subsidiary T-Fal Corp. SEB owns U.S. Patent No. 4,995,312 (the '312 patent), which is directed to a deep fryer that is sold in the U.S. through T-Fal. Pentalpha is a Hong Kong corporation who sold a deep fryer to Sunbeam Products, Inc., which then sold the fryers in the U.S. using the remaining defendants. In developing the fryer, Pentalpha purchased SEB's fryer in Hong Kong, and copied SEB's fryer.

Pentalpha asserted that the fryer it purchased in Hong Kong was not marked with a patent number. However, the majority of fryers SEB sold in the U.S. were marked with the '312 patent.

Pentalpha had obtained a right-to-use study from a U.S. attorney for its fryer. This study indicated that the fryer was not infringing a U.S. patent. Notably, the study did not cover the '312 patent, and Pentalpha did not reveal to its counsel that the fryer was copied from a competing product sold by SEB or T-Fal. Pentalpha then provided its fryer free-on-board (fob) to Sunbeam in Hong Kong using Sunbeam's U.S. brand, and Sunbeam imported the fryer into the U.S.

On learning of the fryer sold by Sunbeam, SEB sued Sunbeam for infringing the '312 patent in 1998. Sunbeam settled the suit by agreeing to pay SEB \$2 million.

Pentalpha also sold the accused fryer to others, including defendant Montgomery Ward, after Pentalpha learned of the suit

against Sunbeam. In these sales, the accused fryers were also branded with trademarks used by defendant Montgomery Ward, and were also delivered fob in Hong Kong or China. Further, the invoices all clearly indicated that the purchasers were in the U.S.

On learning of these additional sales, SEB brought suit against Montgomery Ward and Pentalpha in 1999. The jury found that the accused fryer sold by Montgomery Ward and Pentalpha infringed the '312 patent, and found Pentalpha to have infringed the '312 patent directly under 35 U.S.C. §281(a), and under a theory of inducement under 35 U.S.C. §271(b).

On appeal, the Federal Circuit confirmed that the accused fryer did infringe the '312 patent. However, Pentalpha further argued that it should not be liable for direct or induced infringement under 35 U.S.C. §271(a) or (b) since the sales were fob in Hong Kong, and since there was no evidence that Pentalpha actually knew of the '312 patent.

Direct Infringement for Selling in the U.S.

On the issue of whether Pentalpha could be liable for making an offer to sell the infringing fryer, the Federal Circuit noted that it has not precisely defined the extent to which foreign acts can be used to show an offer to sell for purposes of 35 U.S.C. §271(a). Citing to *Rotec Indus., Inc. v. Mitsubishi Corp.*, 215 F.3d 1246, 1260 (Fed. Cir. 2000), the court noted that prior caselaw appears to hold that infringement under 35 U.S.C. §271(a) is not possible where all acts occur overseas, but there is no clear holding of the such in relation to offers for sale.

However, the Federal Circuit noted that it need not define the extraterritorial effect of 35 U.S.C. §271(a) since the only evidence that the sale occurred overseas was the fob language in the sales. The fob language in the invoices relates only to where the risk of loss occurred and not to the location of the sale itself. The Federal Circuit noted that its caselaw expressly found that fob language does not control the location of a sale for purposes of infringement. *Litecubes, LLC v. N. Light Prods., Inc.*, 523 F.3d 1353, 86 USPQ2d 1753 (Fed. Cir. 2008).

Moreover, while there was a lack of evidence that the sale occurred outside of the United States, the record showed that Pentalpha intended to sell the infringing fryers to U.S. customers, affixed the marks used by the U.S. customers, used electrical fittings used in the U.S., and identified in the invoices the U.S. destination of each shipment. Thus, as there was sufficient evidence in the record to support a finding that the offers for sale were in the United States as opposed to overseas, the Federal Circuit upheld the finding of direct infringement under 35 U.S.C. §281(a).

Inducement Includes Where Infringer Deliberately Avoided Knowledge of Patent

On the issue of the knowledge requirement for 35 U.S.C. §271(b), the Federal Circuit first noted that the level of intent was recently decided in *DSU Med. Corp. v. JMS Co.*, 471 F.3d 1293, 1304 (Fed. Cir. 2006) (en banc). Under *DSU*, the intent required for inducement is that the infringer knew or should have known that the infringer's actions would result in infringement, which would "necessarily" include a requirement that the inducing infringer knew of the patent. In distinguishing from *DSU*, the Federal Circuit clarified that, in *DSU*, it was undisputed that the inducing infringer actually knew of the patent. Therefore, *DSU* does not answer the question of when does the inducing infringer know of the patent

In resolving the question, the Federal Circuit noted that inducement requires a specific intent to cause another's infringement. *Broadcom Corp. v. Qualcomm Inc.*, 543 F.3d 683, 699 (Fed. Cir. 2008). Further, the Federal Circuit took note that other courts have found in other like contexts that deliberate indifference is the same as specific intent. Thus, "the standard of deliberate indifference of a known risk is not different from actual knowledge, but is a form of actual knowledge."

In applying this standard, the Federal Circuit found that the evidence supported a finding that Pentalpha "deliberately disregarded a known risk that SEB had a protective patent." Such evidence included the fact that Pentalpha copied the SEB design; hired outside counsel to perform the right-to-use study without informing the counsel that it copied the design from SEB; and was headed by a President who had detailed knowledge of patent law and had worked on other projects with SEB in which SEB patented the resultant product. There was no evidence that Pentalpha reasonably believed the fryer was not patented. Thus, the Federal Circuit found that Pentalpha exercised deliberate indifference to the existence of a patent, and that this deliberate indifference was sufficient to show inducement to infringe under 35 U.S.C. §271(b).

Significance for Patent Owners and Foreign Sellers

As discussed more completely in the below Feature Comment, *SEB* confirms that offers for sale by foreign entities can still be infringing under 35 U.S.C. §271(a) where much of the activity is directed to a U.S. purchaser. Additionally, *SEB* confirms that inducement can occur even where patent owner is deliberately avoiding finding patent. As such, foreign producers of goods need to be aware that, even where they do not directly import goods into the United States, their sales can still incur liability under the right set of facts such as those in *SEB*.

Federal Circuit Finds False Marking Statute Imposes Liability for Each Infringing Article

In *Forest Group Inc. v. Bon Tool Co.*, 93 USPQ2d 1097 (Fed. Cir. 2009), Forest Group, Inc. owned U.S. Patent No. 5,645,515 (the '515 patent). The '515 patent is drawn to a stilt. Forest Group licensed the patent to Southland Supply Company (Southland). Southland sold the patented stilts to Bon Tool. Subsequently, Bon Tool began purchasing exact replicas of the patented stilts

made by a Chinese supplier. Forest Group sued Bon Tool for patent infringement for the sales of the replicas.

As a defense, Bon Tool alleged, among other defense, that the patent was invalid and counterclaimed for damages for false patent marking in violation of 35 U.S.C. §292. At trial, the district court construed the claims in a manner which precluded infringement. Thus, the district court dismissed the infringement claim

at a first summary judgment, but found the patent otherwise valid.

In regards to the counterclaim of false marking, the district court found that the stilts were improperly marked for at least stilts manufactured by Forest Group after November 15, 2007. The district court found that since, on November 15, 2007, Forest Group had lost a second summary judgment in another litigation over the '515 patent which demonstrated that the '515 patent did not cover the stilts produced by the Forest Group, and since this was the second such ruling, Forest Group knew that their stilts were not covered by the '515 patent. As Forest Group had knowledge that the stilts no longer were covered by the '515 patent as of November 15, 2007, the continued marking of the stilts was contrary to 35 U.S.C. §292. As a penalty, the district court assessed a \$500 fine for the single decision to continue marking the stilts. The district court did not assess the fines based upon each manufactured stilt.

On appeal, the Federal Circuit reviewed whether Forest Group had the requisite knowledge needed to find a violation of 35 U.S.C. §292. Specifically, the Federal Circuit noted that, to find a violation under 35 U.S.C. §292, the claimant must show both that the patent number appears on an unpatented article, and there was an intent to deceive the public. The Federal Circuit quoted *Clontech Labs. Inc. v. Invitrogen Corp.*, 406 F.3d 1347, 1352 (Fed. Cir. 2005) in noting that for purposes of 35 U.S.C. §292, "[i]ntent to deceive is a state of mind arising when a party acts with sufficient knowledge that what it is saying is not so and consequently that the recipient of its saying will be misled into thinking that the statement is true." (citing *Seven Cases of Eckman's Alternative v. United States*, 239 U.S. 510, 517-18 (1916))." This evidence needs to be shown by at least a preponderance of the evidence. Further, a bare assertion by an accused party that it did not intend to falsely mark is "worthless as proof" of a lack of intent to deceive.

Under this standard, the Federal Circuit held that there was a lack of intent to deceive before November 15, 2007. Specifically, the court found it credible that the inventors truly believed the stilt was covered by the '515 patent, and that the mere first summary judgment finding non-infringement was not sufficient to show intent to deceive by itself. Instead, the Federal Circuit noted that the district court's decision was supportable given the lack of academic knowledge of the inventors about patents, as well as the fact that their patent was prosecuted by an experienced patent attorney who had a model of the stilt being patented. Thus, it was not until the second summary judgment that the inventors

should have been aware that the '515 patent did not cover their stilt and that there was no evidence as to why they continued marking the stilts with the '515 patent.

The Federal Circuit specifically noted that they are not making a bright line rule that there need to be two adverse summary judgments before finding intent. Instead, the Federal Circuit noted that under the facts of the case, the second summary judgment assuredly put Forest Group on notice that their stilts were not covered by the '515 patent and that their continued marking evidenced the requisite intent to deceive.

In regards to the adequacy of the \$500 fine, the Federal Circuit turned to the statute to determine whether the \$500 fine was per article, or per each decision to mark a batch of articles with the patent number. As noted by the Federal Circuit, 35 U.S.C. §292 "prohibits false marking of 'any unpatented article,' and it imposes a fine for 'every such offense.'" As such, the Federal Circuit found that the statute requires the fine for each article, not merely for each decision to mark multiple articles. While noting that this decision is contrary to *London v. Everett H. Dunbar Corp.*, 179 F. 506 (1st Cir. 1910), the Federal Circuit also noted that the statute has changed since the decision in *London* and that the Congressional intent is clear in requiring the fine per article.

Further, the Federal Circuit noted that there are strong public policies in deterring false marking that support its interpretation that 35 U.S.C. § 292 imposes the fine per article. In contrast, the Federal Circuit noted that the arguments that the fine should be limited to \$500 per decision would eviscerate both the intent of the statute and ignore the statutory language itself. As such, the Federal Circuit remanded the case to the district court to determine the number of falsely marked articles and to reassess the fine accordingly.

Significance for Patent Owners

In general, patent owners can enjoy significant benefits by marking that their products are covered by U.S. patents. However, where the products are not actually covered by an enforceable U.S. patent, these markings can become a large liability. Thus, as demonstrated in *Forest Group*, patent owners need to be especially careful to ensure that they are behaving reasonably in policing their marked products to ensure that they are not running into potential liability problems under 35 U.S.C. §292.

Federal Circuit Finds Well Known But Undefined Claim Element Definite and Evidence of Copying a Secondary Consideration for Non-obviousness

In *Power-One, Inc. v. Artesyn Technologies, Inc.*, Docket No. 08-1501 & -1507 (Fed. Cir. March 30, 2010), Power-One, Inc. (“Power-One”) owns U.S. Patent No. 7,000,125 (the ‘125 patent). The ‘125 patent relates to power supply systems which control, program and monitor point-of-load (POL) regulators. Each of the claims recites the use of POL regulators, but the specification does not specifically define the term “POL regulator”.

Artesyn Technologies, Inc. (“Artesyn”) sells a competing power control system, which Power-One asserts infringes the ‘125 patent. At trial, the District Court defined the term “POL regulator” to be a “dc/dc switching voltage regulator designed to receive power from a voltage bus on a printed circuit board and adapted to power a portion of the devices on the board and to be placed near the one or more devices being powered as part of a distributed board-level power system.” Based upon this definition, the jury found that the ‘125 patent was a valid patent, and that Artesyn infringed the ‘125 patent.

On appeal, Artesyn contended that the District Court’s definition of the POL regulator was unduly broad and that the term is indefinite. Moreover, Artesyn appealed the District Court’s decision that the ‘125 was non-obvious.

Undue Breadth of District Court Definition

On the issue of whether the District Court’s definition was unduly broad, the Federal Circuit first cited to *Phillips v. AWH Corp.*, 415 F.3d 1303, 1312 (Fed. Cir. 2005) (en banc) for the rule that claim terms are “generally given their ordinary and customary meaning,” which is the meaning “a person of ordinary skill in the art . . . at the time of the invention” would give to a particular claim term. In reviewing the specification, the Federal Circuit noted that the definition of POL regulator was supported by the intrinsic record. Importantly, the Federal Circuit found that the definition adopted by the District Court provided sufficient meaningful guidance to the jury as to be definite and not unduly broad. Specifically, the Federal Circuit has found that the terms “adapted to” and “near” can be definite, and the District Court was entitled to utilize these terms without rendering the resulting definition unduly broad as these terms are understandable in light of the ‘125 patent specification.

As noted by the Federal Circuit, “[t]he fact that the claim is not defined using a precise numerical measurement does not render it incapable of providing meaningful guidance to the jury because the claim language, when taken in context of the entire patent, provides a sufficiently reasonable meaning to one skilled in the art of distributed power systems.”

Definiteness of Undefined, Well-known Claim Term

Consistent with this holding, the Federal Circuit also found that the term “POL regulator” was definite for purposes of 35 U.S.C. §112, paragraph 2. In making this determination, the Federal Circuit outlined the test for definiteness as being whether the claim boundaries are discernible to a skilled artisan based on the language of the claim, the specification, and the prosecution history, as well as the artisan’s knowledge of the relevant field of art. *See Halliburton Energy Servs., Inc. v. M-1 LLC*, 514 F.3d 1244, 1249-51 (Fed. Cir. 2008). “The mere fact that the claim term may be difficult to understand or subject to some disagreement is not enough to find a claim indefinite. *Exxon Research & Eng’g Co. v. United States*, 265 F.3d 1371, 1373 (Fed. Cir. 2001) (“if the meaning of the claim is discernible, even though the task may be formidable and the conclusions may be one over which reasonable persons will disagree, we have held the claim sufficiently clear to avoid invalidity on indefiniteness grounds.”).

In applying this standard, the Federal Circuit found that the intrinsic record did support the recited term “POL regulator”. Specifically, the Federal Circuit found that the intrinsic record showed that POL regulators are well known devices in the field. Since one of ordinary skill in the art would understand what a POL regulator does and how it operates, the Federal Circuit upheld the District Court’s decision that the term “POL regulator” is definite despite any express definition in the specification.

Nonobviousness of claims

On the issue of obviousness, the Federal Circuit upheld the District Court’s decision that the ‘125 patent was nonobviousness. During trial, Artesyn asserted that the ‘125 patent was obvious based upon seven pieces of prior art, and testimony of its expert. Power-One

provided its own expert, as well as secondary considerations of non-obviousness. The Federal Circuit found that the jury was entitled to credit Power-One's expert at the expense of Artesyn's expert on the issue of obviousness.

Further, the Federal Circuit noted that Artesyn's primary argument was that each of the recited elements were known in the prior art. In rejecting this argument, the Federal Circuit quoted the Supreme Court for the proposition that "a patent composed of several elements is not proved obvious merely by demonstrating that each of its elements is, independently, known in the prior art." *KSR Int'l Co. v. Teleflex Inc.*, 550 U.S. 398, 418 (2007). As such, to show obviousness, there needs to be evidence as to why the known arguments would have been combined.

Lastly, the Federal Circuit noted that the jury was entitled to take into account secondary considerations. Specifically, Power-One put into evidence that Artesyn had copied Power-One's patented design, which Artesyn then touted as an advancement in the industry on introduction of its copied product. According to the Federal Circuit, "Artesyn's contemporaneous reaction to Power-One's invention, and the industry's reaction, demonstrate the unobviousness of the invention disclosed in the '125 patent." See *Allen Archery, Inc. v.*

Browning Mfg. Co., 819 F.2d 1087, 1092 (Fed. Cir. 1987) (praise in the industry for a patented invention, and specifically praise from a competitor tends to "indicat[e] that the invention was not obvious"). As such, the evidence of copying, as well as Artesyn's own advertising represented an admission usable as a secondary consideration of nonobviousness.

Significance for Patent Owners and Applicants

In *Power-One*, the Federal Circuit provides a reminder that tests such as definiteness under 35 U.S.C. §112 and obviousness under 35 U.S.C. §103 are primarily factual inquiries to be based upon evidence, not formulaic rules. Thus, claim terms are not rendered indefinite merely because they are undefined specifically in the specification so long as there is evidence that one skilled in the art would understand the meaning of the term. Moreover, merely because each claim element is known does not render a claim obvious without evidence as to why the particular recited combination would be made. Lastly, it is interesting to note that the Federal Circuit based its nonobviousness ruling, at least in part, on the fact that the infringer had copied the patented design as evidence of copying is not classically considered a secondary consideration.

Federal Circuit Finds Reference to "Present Invention" Limits Scope of Claims and No Willful Infringement Where Commercially Reasonable Time is taken to Change Infringing Product to Non-Infringing Product

In *Trading Technologies Int'l, Inc. (TT) v. Ecco LLC, Eccoware Ltd., and eSpeed Int'l, Ltd. (eSpeed)*, 595 F.3d 1340;93 U.S.P.Q.2D 1805 (Fed. Cir. 2010), TT owns both U.S. Pat. No. 6,772,132 ('132 patent) and U.S. Pat. No. 6,766,304 ('304 patent). The '132 and the '304 patents share a common provisional filing date of March 2, 2000. The '132 patent was filed on June 9, 2000 and issued on August 3, 2004. The '304 patent, which is a divisional patent of the '132 patent, was filed on June 27, 2001 and issued on July 20, 2004. Both patents relate to software displaying an electronic commodity market. The market consists of bids, or offers to purchase, and asks, or offers to sell. The software has a graphical user interface (GUI) having a dynamic display for the bids and asks and a static display for prices corresponding to the bids and asks. Prior art software displayed an "inside market" which was the best or

highest bid price and the best or lowest ask price, which reflect the current price of the commodity.

However, the prior art displayed grids for the inside market that did not move. Thus, if a trader saw a price on the inside market on which they wanted to act, the trader could mistakenly click on the wrong price while a new price in the inside market appeared before they clicked on their intended price. In contrast, TT's software had a static price column, and thus, the best bid and best ask would move up and down along the price column to reflect the current state of the market. As such, a trader could click on the intended price box and know that a transaction at the clicked price would occur, while not worrying that an accidental order at an incorrect price occurred because the inside market had changed before the order was processed.

TT filed suit in the U.S. District Court for the Northern District of Illinois alleging that eSpeed's products, which are trading platforms and software for trading commodities on eSpeed's electronic exchanges, infringed TT's patents.

The accused eSpeed products include Futures View, Dual Dynamic, and eSpeedometer, with the accused products being the same in all relevant aspects, as the latter products are redesigns of the original product. Also, eSpeed acknowledged that Futures View satisfied all claim limitations of the patents in suit. eSpeed was sold before the '132 and '304 patents were issued. However, TT and eSpeed disagreed on whether Dual Dynamic and eSpeedometer use a "static display of prices" or a "static price axis," which are recited by the '132 and '304 patents, respectively. Dual Dynamic re-centered price levels by either a manual operation by a user or by an automatic operation if the inside market shifted by a predetermined amount, however, the automatic operation could not be disabled by users. eSpeedometer, on the other hand, only had an automatic re-centering operation, wherein the entire market display would adjust after each change in the inside market.

The products were variously sold during the suit, with Futures View being sold before the TT's patents issued, and replaced with Dual Dynamic in December 2004 before a hearing for a preliminary injunction in the case. eSpeedometer replaced Dual Dynamic after the District Court found that Dual Dynamic likely infringed TT's patents. After trial, the District Court held that Futures View still infringed asserted claims of the '132 patent and the '304 patent. The District Court also held that other accused products were not literally infringing TT's '132 and '304 patents, and that TT was barred from using doctrine of equivalents to assert infringement. Furthermore, the District Court found there to be no on-sale bar under 35 U.S.C. §102(b) by giving the '132 patent and the '304 patent filing dates corresponding to a common provisional application. Additionally, the District Court found that there was no indefiniteness with respect to the asserted claims of the '132 and '304 patents.

Specifically, the District Court found that neither Dual Dynamic nor eSpeedometer literally infringed on the '132 or '304 patents. As per infringement under the doctrine of equivalents, the District Court held that Dual Dynamic did not infringe under the doctrine of equivalents because finding infringement would obviate the term "static" and that prosecution history estoppel prevented application of doctrine of equivalents to eSpeedometer. As such, the District Court granted

summary judgment of non-infringement with respect to Dual Dynamics and eSpeedometer.

With respect to eSpeed's Future View, the District Court, during a jury trial, granted several of TT's motions, including barring eSpeed from asserting an on-sale bar defense, and barring expert testimony asserting that the claim construction of "single action of a user input device" was indefinite. The jury found that Futures View willfully infringe the '132 and '304 patents, however, the District Court vacated the jury's finding of willful infringement and reduced the damages awarded to TT. Additionally, the District Court found that TT did not engage in inequitable conduct and denied eSpeed's motions on validity, indefiniteness, priority date, and patent misuse defense. Both TT and eSpeed appealed the District Court's holding.

On appeal Federal Circuit, while noting that numerous issues were raised by both parties on appeal, stated that TT's appeal focuses on patent infringement, while eSpeed's appeal focuses on patent validity. TT appealed the District Court's claim construction as per "common static price axis" and "a static display of price," and argued that Dual Dynamic and eSpeedometer infringe under TT's claim construction. Additionally, TT asserted that Dual Dynamic infringes under the doctrine of equivalents without obviating the word "static," and that prosecution history estoppel does not preclude eSpeedometer from infringing the TT patents under the doctrine of equivalents. eSpeed, in the appeal, asserted: (1) that the '132 and '304 patents should not be dated back to the provisional application dates; (2) that the patents are invalid under the on-sale bar; (3) that the term "single action of a user input device" is indefinite; and (4) that TT engaged in inequitable conduct.

Narrow Claim Construction in View of "Present Invention" And Only One Embodiment

The Federal Circuit reviewed the grant of summary judgment of non-infringement with respect to Dual Dynamic and eSpeedometer with out deference, and reviewed the District Court's claim construction order under *Markman v. Westview Instruments, Inc.*, 517 U.S. 370 (1996). TT asserted that the District Court's construction of "static" in the limitations of "static display of prices" and "common static price axis" in the '132 and '304 patents to be incorrect. The District Court construed "static display of prices" to mean "a display of prices comprising price levels that do not change positions unless a manual re-centering command is received." Similarly, the District Court construed

“common static price axis” to mean “a line comprising price levels that do not change unless a manual re-centering command is received and where the line of prices corresponds to at least one bid value and one ask value,” with the District Court noting that “a static condition - requires permanency” so that “the price axis never changes positions unless by manual re-centering or re-positioning.”

Thus, the Federal Circuit noted that under the District Court’s interpretation, the ‘132 and the ‘304 patent only cover manual re-centering without automatic re-centering. However, the Dual Dynamic and eSpeedometer include automatic re-centering corresponding to changes in the inside market. The specifications of both the ‘132 and ‘304 patents state that “The values in the price column are static; that is, they do not normally change positions unless a re-centering command is received.” The Federal Circuit noted that although the District Court’s construction may seem narrower than the inventor’s definition of “static” because the District Court added that the re-centering command is to be manual, the claims, specification and prosecution history estoppel support the District Court’s definition. Thus, the Federal Circuit agreed with the District Court’s claim construction.

While elaborating on the support for the claim construction found in the specification, the Federal Circuit stated that they recognize that relying on the specification heavily may lead to an improper risk of reading a preferred embodiment into the claim, unless the patentee evinces a clear intention that the preferred embodiment represents the claim. (See *Saunders Group, Inc. v. Comfortrac, Inc.*, 492 F.3d 1326, 1332 (Fed. Cir. 2007)). In reviewing the specification, the Federal Circuit found that the “reference to ‘the present invention’ strongly suggests that the claimed re-centering command requires a manual input, specifically, a mouse click. See *Honeywell Int’l, Inc. v. ITT Indus.*, 452 F.3d 1312, 1318 (Fed. Cir. 2006) (concluding that the invention was limited to a fuel filter because the specification referred to the fuel filter as ‘this invention’ and ‘the present invention’).” The Federal Circuit further noted that the specification did not disclose alternate embodiments, such as automatic re-centering. As such, the Federal Circuit stated that “[t]his court takes some comfort against this risk from the inventors’ use of the term “the present invention” rather than “a preferred embodiment” or just “an embodiment.”

The Federal Circuit went on to detect any contrary intentions as per the embodiment, and noted that all claims of the ‘132 patent include a “wherein” clause

stating that “the static display of prices does not move in response to a change in the inside market.” As such, the claims of the ‘132 patent excludes automatic re-centering upon a change in the inside market.

TT further argued that even if the “re-centering command” is interpreted as manual in the ‘132 patent, the District Court cannot limit the claims to only recited elements because the claims use a transitional phrase “comprising.” Thus, TT asserts that the claims also cover features not recited, such as automatic re-centering. The Federal Circuit responded by stating that “automatic re-centering is not an additional feature, but rather negates a claimed requirement that the price level remains static and does not move.... Thus, this court construes the claims to require a manual re-centering command.” The Federal Circuit also pointed to the prosecution history in noting that the Examiner initially rejected the claims because “static display” was indefinite. The Federal Circuit stated that the Examiner allowed the claims, in part, based upon the applicant’s explanation that “the values in the price column...do not change (unless a re-centering command is received).” Furthermore, the Federal Circuit also noted that a manual re-centering of the price column may avoid mistakes that may arise from an automatic re-centering of the price column, as found in the prior art. Thus, the Federal Circuit stated that:

[t]he invention’s contribution to the prior art, its specification, and its prosecution history show that the static display of prices cannot move without a manual re-centering command from the trader. Accordingly, the District Court correctly construed disputed word “static.”

Thus, the Federal Circuit found that eSpeed’s Dual Dynamic and eSpeedometer do not literally infringe on the ‘132 and ‘304 patents because eSpeed’s products have mandatory re-centering features.

No Doctrine of Equivalents Due to Claim Vitiating and Prosecution History Estoppel

With respect to the doctrine of equivalents, the Federal Circuit noted that, under the all-elements rule, it is required to consider “the totality of circumstances of each case and determine whether the alleged equivalent can be fairly characterized as an insubstantial change from the claimed subject matter without rendering the pertinent litigation meaningless.” *Freedman Seating Co. v. Am. Seating Co.*, 420 F.3d 1350, 1359 (Fed. Cir. 2005). As per the claim vitiating doctrine of equivalents is found, the Federal Circuit stated that claim vitiating “applies when there is a

'clear, substantial difference or a difference in kind' between the claim limitation and the accused product. *Id.* at 1360. It does not apply when there is a 'subtle difference in degree.' *Id.*"

The Federal Circuit stated that occasional automatic re-centering, as may occur with Dual Dynamic, is not an insubstantial difference, and that they must surmise the difference between a price axis that moves only in response to a trader's command and one that moves without prompting. In noting that Dual Dynamic's automatic re-centering allows for the problems of the prior art, wherein an inside market price may move while a trader was executing a deal, the automatic re-centering is substantially different than the invention of the '132 and '304 patents. Therefore, the Federal Circuit affirmed the District Court's holding that the doctrine of equivalents does not show that Dual Dynamic infringes.

The Federal Circuit also agreed with the District Court's decision that prosecution history estoppel bars TT from asserting doctrine of equivalents to show that eSpeedometer infringes the patents in suit. The Federal Circuit noted that TT submitted a prior art reference describing a static price display after the USPTO issued a notice of allowance, and requested that the application be withdrawn from issuance. TT amended claims that issues as claim 1 of their respective patents, with similarly recited limitations stating that price displays do not move in response to the inside market changing. TT argued that "do not move" being amended into the claims did narrow the claims because they already recite "static." However, the Federal Circuit noted that TT's argument is circular because the District Court has construed "static" to mean not moving, and thus, the claims of the '142 and '304 patents would still be limited to manual re-centering. Thus, the Federal Circuit found that the inventors surrendered any subject matter that moves automatically during prosecution, and affirmed the District Court's holding that Dual Dynamic and eSpeedometer do not infringe the '132 and '304 patents under the doctrine of equivalents.

No Willful Infringement

As per TT's appeal on the District Court finding no willful infringement, the Federal Circuit noted that they, in *In re Seagate Technology, LLC*, 497 F.3d 1360, 1371 (Fed. Cir. 2007), held that "proof of willful infringement permitting enhanced damages requires at least a showing of objective recklessness." The Federal Circuit went on to note that neither party disputes that eSpeed began redesigning Futures View immediately after TT commenced the infringement suit. The Federal

Circuit then stated that "[p]rompt redesign efforts and complete removal of infringing products in a span of a few months suggest that eSpeed was not objectively reckless." Furthermore, TT could not show that eSpeed sold Future View to new customers, or that they delayed in updating Future View with the non-infringing Dual Dynamic. Thus, the Federal Circuit affirmed the District Court's grant of JMOL motion on willful infringement that no reasonable jury could have found eSpeed to be willfully infringing the '132 and '304 patents.

"Single Action" Claim Term Definite and Supported by Provisional Application

As per the contention on whether the limitation of "single action of a user input device" is indefinite, the Federal Circuit upheld the District Court's ruling that the term, as construed, is sufficiently definite. The Federal Circuit stated that "[t]he district's court's construction correctly sets objective boundaries by distinguishing the invention from multiple-action systems found in the prior art." The District Court found that "an action" means one user action, even including sub-elements such as two separate clicks of a double-click, if the user views all sub-elements as one action. Additionally, the Federal Circuit stated that one of ordinary skill in the art would find a non-ambiguous difference between singular and multiple user actions, even with the District Court's construction that a single action be executed in a "short period of time."

With respect to eSpeed's contention of the patents in suit having a priority date of the provisional applications filed on March 2, 2000, the Federal Circuit looked to the provisional application as an adequate written description under 35 U.S.C. §112, par. 1. At contention was the fact that all claims recite a "single action of a user input device," whereas the provisional application only recites "a single click of a computer mouse." The Federal Circuit states that "[o]n summary judgment, the parties' experts disagreed that the provisional application showed possession of forms of order entry other than "a single click of a computer mouse", "...and thus, there was "a dispute of material fact about whether the disclosure of a species, i.e., "one click of a mouse," was sufficient to show that the inventors possessed the genus, i.e., "single action of a user input device." Thus, the Federal Circuit held that the District Court did not abuse its discretion in determining there was a dispute of material fact and precluding a grant of summary judgment on the issue.

The Federal Circuit also found that the District Court's jury instruction was not legally erroneous, and that the

District Court did not abuse its discretion by allowing TT's expert witness to testify generally about the written description requirement. Lastly, the Federal Circuit looked at the merits and found that the jury's verdict was supported by substantial evidence on record showing that the written description was adequate. The Federal Circuit noted that "the parties' experts did not dispute that one of ordinary skill in the art would have know about other forms of "single action" such as a double-click or pressing a key," and thus, "disclosure of a species in this case provides sufficient written description support for a later filed claim directed to a very similar and understandable genus." Therefore, the Federal Circuit found that the '132 and '304 patents were entitled to claim priority to the provisional application.

No On Sale bar for Service Contract to Build Invention

The District Court granted a motion in limine precluding eSpeed from alleging the on-sale bar defense, and eSpeed appealed the decision. eSpeed relied upon the fact that Harris Brumfield, one of the inventors, hired TT to build trading software according to his idea. TT and Brumfield entered into a contract, Individual Consulting Agreement #2 (ICA2), in which TT would build trading software according to Brumfield's specifications. TT delivered the software to Brumfield in February 1999, and Brumfield paid TT for the custom software on March 2, 1999. The Federal Circuit affirmed the District Court's de facto decision that ICA2 was not a sales transaction for a product embodying the patented invention, as is required for an on-sale bar under 35 U.S.C. §102(b).

The Federal Circuit stated that the ICA2 was a contract for hourly programming services, and not a computer software license, as eSpeed contended, and that Brumfield did not sell or offer anything for sale that would embody the invention. Additionally, no product was ever sold to Brumfield. Thus, the Federal Circuit stated that "[i]nventors can request another entity's services in developing products embodying the invention without triggering the on-sale bar," and that Brumfield's contract with TT did not constitute a sale under 35 U.S.C. §102(b).

With respect to TT's alleged inequitable conduct, the Federal Circuit found that the District Court was correct in finding that TT did not engage in such by not disclosing Brumfield's custom software to the USPTO because the software wasn't material to the question of patentability. Brumfield used the software after March

2, 1999, however, the Federal Circuit stated that the "District Court did not clearly err by finding that Brumfield's software was immaterial given that his use of the software after the priority date would not have changed the examiner's analysis of the patent." eSpeed further alleges that TT should have disclosed the "sale" of the software from TT to Brumfield, and Brumfield's testing of the software to the USPTO. The Federal Circuit noted that the ICA2 contract was not a sale under 35 U.S.C. §102(b) and that Brumfield tested the software for his own personal purposes, confidentially, and that he kept the software secret until he and TT filed the provisional application. Thus, the Federal Circuit found no inequitable conduct on the part of TT.

Summary

In summary, the Federal Circuit upheld the District Court on all matters decided by the District Court. Particularly, the Federal Circuit noted that the use of "the present invention" rather than "a preferred embodiment" or just "an embodiment" in the specification can be used to support the Federal Circuit Court's use of the specification's embodiment as reflecting the claims. Additionally, the Federal Circuit found that, in the present case, prosecution history estoppel can be used to bar the use of doctrine of equivalents. The Federal Circuit also stated that "disclosure of a species in this case provides sufficient written description support for a later filed claim directed to a very similar and understandable genus," in finding the provisional application an adequate written description for the '132 and '402 patents. Also, the Federal Circuit held that "[i]nventors can request another entity's services in developing products embodying the invention without triggering the on-sale bar." Therefore, the Federal Circuit found no reversible error and affirmed the District Court's decision.

Significance for Patent Owners and Applicants

In *Trading Technologies Int'l*, the Federal Circuit again emphasizes the importance of the specification in defining claim terms using the specification. The Federal Circuit scoured the specification looking for a more expansive definition given to a particular claim term, and were unable to find alternative embodiments which would have allowed such an expansive interpretation. Indeed to the contrary, the Federal Circuit found that the applicants had not even indicated that the claim term was only an embodiment, and instead emphasized that the claim term was part of the present invention, as opposed to only an embodiment of the present invention. Therefore, when drafting claims

and specifications, it is important that the specification include multiple embodiments for each claim term and avoid characterizing any particular embodiment as being

the invention as opposed to an example of that invention.

District Court for the District of Columbia Finds Federal Government can be Liable for Trademark Infringement under Lanham Act

In *Trusted Integration Inc. v. United States*, 93 USPQ2d 1453 (D.D.C. 2010), Trusted Integration, Inc. manufactures a software product under the mark "TrustedAgent." TrustedAgent allows agencies to comply with the Federal Information Security Management Act, 44 U.S.C. §§3541-3549 (FISMA). Trusted Integration entered into a contract with the Department of Justice (DoJ) and used TrustedAgent as part of Cyber Security Assessment Management (CSAM), which was DoJ's FISMA compliance mechanism. DoJ required that, as part of the deal to include TrustedAgent in CSAM, Trusted Integration would need to only market TrustedAgent to DoJ for use in CSAM. Subsequently, DoJ began marketing CSAM to other agencies for their use in ensuring their FISMA compliance while at the same time developing an alternative to TrustedAgent then in use in the CSAM. Prior to completing the replacement, DoJ marketed TrustedAgent as integral to the CSAM. When DoJ completed its replacement of TrustedAgent, DoJ allegedly began making disparaging comments about TrustedAgent to other agencies and informed Trusted Integration would no longer include TrustedAgent in the CSAM.

In response, Trusted Integration filed a complaint in May 2009 alleging, among other allegations, that the DoJ violated the Lanham Act by falsely claiming that its FISMA solution would include TrustedAgent even when the CSAM no longer included TrustedAgent. Trusted Integration also included claims under the Federal Torts Claims Act, 28 U.S.C. §1346(b) (FTCA).

DoJ moved for dismissal of the Lanham Act and FTCA claims under Fed. R. Civ. P. 12(b)(1) for lack of subject matter jurisdiction and 12(b)(6) for failure to state a claim.

In reviewing whether the District Court had subject matter jurisdiction under the Lanham Act, the District Court dismissed DoJ's arguments that the trademark claims are barred by the FTCA and that the claims sound in contract and are thus barred by the Contract Disputes Act, 41 U.S.C. §§601-613 (CDA). While acknowledging that such claims generally are barred under the FTCA, the District Court noted that the allegation was based

upon an independent waiver of sovereign immunity appearing in the Lanham Act. Similarly, the District Court noted that the mere appearance of a contract does not convert a claim to one covered by the CDA, and that the complaint itself is not based upon a breach of contract but upon a violation of the Lanham Act. Since the Lanham Act specifically includes a separate waiver of sovereign immunity, the District Court held that the plaintiff was not required to make a separate claim as to the waiver of sovereign immunity since Lanham Act itself is such a waiver. Thus, the District Court rejected the DoJ's motion for dismissal under Fed. R. Civ. P. 12(b)(1) as to the Lanham Act claims.

Turning to DoJ's motion under Fed. R. Civ. P. 12(b)(6) relating to the Lanham Act, the District Court rejected DoJ's argument that Trusted Integration did not include sufficient facts to show a violation of the Lanham Act. Specifically, the court noted that the Lanham Act can be violated both by a false statement of authorship of TrustedAgent, or by an allegation that there was a false attribution relating to the TrustedAgent mark which could cause confusion in the marketplace. Under the facts pled by Trusted Integration, the District Court noted that DoJ had initially marketed TrustedAgent as integral to CSAM. Thus, even though DoJ no longer used TrustedAgent and did not market TrustedAgent as being part of CSAM, customers could still be confused as to whether TrustedAgent was somehow part of the new CSAM since both marks could be seen as so intertwined that TrustedAgent is assumed to be involved in the new CSAM.

Also, DoJ alleged that it was not using any mark in commerce since DoJ is a Federal agency and not a for-profit enterprise. The District Court rejected this defense since the use in commerce requirement does not exempt non-profit enterprises from the reach of the Lanham Act. Instead, the phrase "use in commerce" extends to any use which impacts interstate commerce and does not require that the use be by a commercial entity. As such, the District Court also rejected the DoJ's motion for dismissal under Fed. R. Civ. P. 12(b)(6) as to the Lanham Act claims.

In contrast, the District Court agreed that the FTCA does not extend to the unfair competition and breach of fiduciary duty claims set forth in the complaint. As such, the District Court granted the motion to dismiss the FTCA claims while maintaining those counts relating to infringement under the Lanham Act.

Significance for Trademark Owners

While this case is not especially significant in regards to whether infringement is actually found, it is the first

reported case in which a District Court has actually found that the U.S. Government has waived its sovereign immunity in regards to trademark infringement. It is also the first strategic use of a trademark during a procurement process. Thus, *Trusted Integration* represents a small step by the Government procurement community towards an updated strategic use of intellectual property as a tool both for protecting commercial intellectual property rights as well as for protecting their position within a particular Government procurement.

Feature Comment: Federal Circuit Clarifies and Confirms Foreign Seller Liability

By James G. McEwen¹

I. INTRODUCTION

As a practical matter, there are three basic forms of infringement of a U.S. Patent relevant to foreign sellers: direct infringement under 35 U.S.C. § 271(a); induced infringement under 35 U.S.C. § 271(b), and contributory infringement under 35 U.S.C. § 271(c).² The law has generally recognized direct infringement where the foreign seller is directly importing the goods into the United States. Specifically, 35 U.S.C. §287(a) and 35 U.S.C. §287(c) attach liability for importation of a good or a component of the good, and therefore inducement can also lie where the foreign seller induces the importation resulting in the infringement. At the same time, there is a limit to which U.S. patent law can reach foreign sellers. As noted by the Federal Circuit in *Rotec Industries Inc. v. Mitsubishi Corp.*,³ extraterritorial activities are not relevant to infringement of U.S. patent. Thus, there is tension between the desire of patent owners to enforce their U.S. patents against all sellers of infringing goods, and the extraterritorial reach of their patents.

While liability is clear for importation of infringing goods into the U.S., the extraterritorial limit of U.S. patent law is unclear for foreign sellers who sell goods to a foreign distributor. The typical scenario is as follows: a foreign seller sells an infringing good to a foreign distributor, and the foreign distributor imports and sells

the infringing good in the United States. In this case, the liability of the foreign distributor is clear as the foreign distributor is both importing and selling the infringing good within the U.S. However, the liability for the foreign seller is less clear.

In general, cases indicate that it is possible for foreign seller to be liable for subsequent importation, but only to the extent that the foreign seller controlled the subsequent importation. For instance, in *International Rectifier Corp. v. Samsung Electronics Co.*,⁴ Samsung was enjoined from selling an infringing device. However, Samsung continued selling the infringing device to foreign distributors and customers. On the issue as to whether Samsung was violating the terms of the injunction by continuing to infringe the U.S. patent, the court found Samsung did not violate terms of injunction by selling infringing device to third party outside of United States. Specifically, while there was evidence that Samsung was aware of the subsequent importation into the United States, Samsung did not control the third party's activities or distribution of the infringing article. Thus, the more control and contacts that a foreign seller has with U.S. customers, the more likely that foreign seller will be liable either for the foreign sale itself, or for inducing infringement within the U.S.

The possibility of foreign seller liability for both direct and induced infringement for foreign sales was recently confirmed in *SEB S.A. v. Montgomery Ward & Co.*⁵ In *SEB*, direct infringement was found for a sale of an infringing good which occurred arguably outside of the United States, and induced infringement was found despite a lack of evidence that the foreign seller has actual knowledge of the patent being infringed. The

¹ James G. McEwen is a partner at Stein McEwen, LLP. The opinions in this article do not represent the official positions of Stein McEwen, LLP. This paper is based upon a presentation given March 26, 2010 at the International Conference For the Hongik MIP Inauguration.

² This is not to say that liability cannot lie in other sections. For instance, under 35 U.S.C. § 271(g), the seller can be liable where the seller is also a manufacturer and the claim is for the manufacturing method.

³ 215 F3d 1246; 55 USPQ2d 1001 (Fed. Cir. 2000).

⁴ 70 USPQ2d 1124 (Fed. Cir. 2004).

⁵ 93 USPQ2d 1617 (Fed. Cir. 2010).

expanded definition given to inducement represented a change in the law of particular concern to domestic and foreign sellers, and for this reason, various attorney groups are requesting the Federal Circuit revisit the decision *en banc*.⁶

In *SEB*, SEB manufactures and sells cooking products in the United States through its subsidiary T-Fal. SEB also owns U.S. Patent No. 4,995,312 (the '312 patent), which is directed to a deep fryer that SEB sells in the U.S. through T-Fal. Pentalpha is a Hong Kong corporation which also sells cooking products. Pentalpha manufactured a competing fryer whose design was based upon the SEB deep fryer which Pentalpha purchased in Hong Kong and copied. Pentalpha then sold the competing deep fryer to Sunbeam Products, Inc. and the remaining defendants, who then sold the fryers in the U.S. Each sale was free-on-board (fob) Hong Kong and China. However, each invoice directly revealed a U.S. destination for the shipment and identified a U.S. buyer. Moreover, each sold fryer was modified to incorporate the respective trademarks used by the U.S. buyers, and the fryer included electrical fittings used in the U.S.

Prior to these sales, Pentalpha had obtained a right-to-use study from a U.S. attorney which found that the Pentalpha fryer did not infringe a U.S. patent. Notably, the right-to-use study did not cover the '312 patent. Further, when ordering the study, Pentalpha did not reveal to its counsel that the Pentalpha fryer was copied from the SEB fryer. However, there was no evidence that Pentalpha had ever actually known of the '312 patent, and the SEB fryer which Pentalpha purchased in Hong Kong was alleged not to have been marked with the '312 patent.

When SEB learned of the infringement, SEB sued Pentalpha and its customers for infringement of the '312 patent. After a trial, the District Court found that Pentalpha had infringed the '312 patent both for its sales of its fryer and for inducing infringement by its customers.

Direct Infringement

On appeal, Pentalpha faulted the District Court decision since it did not offer to sell or import the goods as is required under 35 U.S.C. §271(a). Specifically, Pentalpha relied upon the fact that the invoices indicated that the fryers were all delivered in Hong Kong and China, and that the fob language clearly shows

delivery outside U.S. Thus, there was no sale for purposes of 35 U.S.C. §271(a).

In rejecting this defense, the Federal Circuit acknowledged that the law remains vague as to the extent to which foreign acts can be used to show an offer to sell. However, the Federal Circuit found that there was no need to resolve the ambiguity in light of the evidence relied upon by the District Court. Specifically, the Federal Circuit noted that its caselaw clearly indicates that the fob language is not dispositive as to the location for sale and merely relates to the location title changes.⁷ In contrast, the evidence showed a number of direct contacts with U.S. customers and that Pentalpha intended to sell the infringing fryers to U.S. customers due to its attaching the U.S. trademarks and electrical fittings. Further, while the fob language indicated the title change outside of the U.S., this was the only mention of a foreign location. The remainder of the invoices identified U.S. destinations and purchasers. Thus, as the only evidence of a foreign location was the fob language which is not dispositive as to the location of the sale, the Federal Circuit held that the record supported a finding that the sales were offers for sale in the U.S. under 35 U.S.C. § 271(a).

Induced Infringement

On appeal, Pentalpha also faulted the District Court's finding of induced infringement under 35 U.S.C. §271(b). Specifically, Pentalpha asserted that there was no evidence it knew of the '312 patent, and the right to use study did not uncover '312 patent. Without evidence of actual knowledge, Pentalpha asserted that there can be no finding of inducement. Indeed, Pentalpha pointed to the Federal Circuit's *en banc* decision in *DSU Med. Corp. v. JMS Co.*, as specifically requiring that, to show intent, "necessarily" the inducing infringer knew of the patent.⁸

In rejecting this defense, the Federal Circuit noted that, to find liability for inducement, 35 U.S.C. § 271(b) requires the court to determine that the infringer knew or should have known that the infringer's actions would result in infringement. As such, the Federal Circuit noted that *DSU* only addressed the necessary showing for intent to cause infringement. The knowledge of the patent was uncontested in *DSU* and therefore the extent to which the inducing infringer must also be aware of the patent itself. Thus, the Federal Circuit noted that

⁶ Specifically, the American Intellectual Property Law Association and the Federal Circuit Bar Association are requesting the rehearing.

⁷ *Litecubes, LLC v. N. Light Prods., Inc.*, 523 F.3d 1353, 86 USPQ2d 1753 (Fed. Cir. 2008).

⁸ 471 F.3d 1293, 1304 (Fed. Cir. 2006) (*en banc*).

Pentalpha's reliance on *DSU* for the purposes of requiring actual knowledge of the patent is misplaced.

Accordingly, the Federal Circuit outlined a test for determine when there is sufficient evidence of knowledge to support inducement. As a starting point, the Federal Circuit noted that inducement is a specific intent cause of action. In reviewing the caselaw surrounding the knowledge requirement typically required in specific intent causes of action, the Federal Circuit found that standard is broader than actual knowledge. Instead, the standard for specific intent causes of action is that of deliberate indifference of a known risk. The deliberate indifference standard is, according to the Federal Circuit, a form of knowledge since the inducing infringer is actively avoiding what it strongly suspects is true: that its actions are causing infringement by another.⁹ As such, the Federal Circuit found that knowledge can be found two ways: actual knowledge of the infringed patent (as was the case in *DSU*), and where there is evidence that the inducing party actively avoided a known risk of the existence of the patent.

In applying this new standard, the Federal Circuit next looked to see whether Pentalpha had knowledge through deliberate indifference. The Federal Circuit found that the evidence showed Pentalpha had copied the SEB design. Further, while Pentalpha hired outside counsel to perform the right-to-use study, Pentalpha specifically did not inform the counsel that it copied the design from SEB which would have increased the chance that the outside counsel would have uncovered the '312 patent. Further, Pentalpha was headed by President John Sham, who was a prolific inventor and had detailed knowledge of U.S. patent law. Importantly, President Sham had worked on other projects with SEB in which SEB patented the resultant product. Lastly, Pentalpha provided no evidence that it reasonably believed the fryer was not patented.¹⁰ Thus, the Federal Circuit found that SEB had presented evidence that Pentalpha was aware that SEB likely had a patent on the fryer it copied, and Pentalpha did not present sufficient evidence that it reasonably could have believed that the fryer was not patented. Therefore, the Federal Circuit

found that Pentalpha had induced infringement through its sale of the Pentalpha fryers.

Conclusions

The Federal Circuit in *SEB* further confirms that foreign sellers can indeed be found liable for infringing U.S. patents through offers for sale. As demonstrated in *SEB*, the more contacts the foreign seller has with the ultimate U.S. consumer, the more likely that the foreign seller can found liable for infringing under 35 U.S.C. §271(a). The mere reliance on purely contractual terms to make the offer purely extraterritorial, without evidence that the seller has little or no control over the ultimate destination, will not likely help the foreign seller avoid liability for direct infringement. Additionally, *SEB* confirms that purposely failing to investigate a potential infringing situation will not provide a defense to induced infringement. In both situations, the Federal Circuit will not allow a foreign seller to escape liability through technical points of contact or law, and instead will look to the substance of the transactions to determine if, ultimately, the foreign seller is availing itself of another's U.S. patent. Thus, the Federal Circuit upheld the general legal principle that the law requires persons to act responsibly, and such responsible behavior does not extend to pretending to be unaware of risk.

⁹ As examples, the Federal Circuit pointed to *United States v. Carani*, 492 F.3d 867, 873 (7th Cir. 2007) ("Deliberate avoidance is not a standard less than knowledge; it is simply another way that knowledge may be proved."); *Woodman v. WWOR-TV, Inc.*, 411 F.3d 69, 84 n.14 (2d Cir. 2005) ("We note that a party's knowledge of a disputed fact may also be proved through evidence that he consciously avoided knowledge of what would otherwise have been obvious [to] him.").

¹⁰ At most, the evidence showed that the copied fryer was not marked with '312 patent. However, the lack of marking was understandable since the fryer was purchased in Hong Kong as opposed to the United States.

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