



PATENT HAPPENINGS

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on judicial, legislative, and administrative developments in patent law.

JUDICIAL HAPPENINGS

Obviousness

Just nine days after the Supreme Court handed down *KSR Int'l Co. v. Teleflex Inc.*, 127 S. Ct. 1727 (2007), its first case in over forty years addressing the concept of "obviousness," the Federal Circuit applied the newly refined legal standard for assessing whether an invention is "obvious" under § 103 in *Leapfrog Enterprises, Inc. v. Fisher-Price, Inc.*, No. 06-1402, 2007 WL 1345333 (Fed. Cir. May 9, 2007). There, the court held that claims directed to a child's digital electronic reading toy having a microprocessor for activating sound recordings of the phonetic sounds of letters were obvious in view a prior art toy showing the same "method of operation," even though the prior art device used electro-mechanical components and no digital technology. Characterizing the claimed invention as "the adaptation of an old idea or invention using newer technology that is commonly available and understood in the art," the court affirmed the judgment that the claims were obvious over the electro-mechanical prior art device and another device showing the use of digital electronics in a child's learning toy despite the patentee's "substantial evidence" of secondary considerations of commercial success, praise, and long-felt need. 2007 WL 1345333, at *5. The Federal Circuit noted that the patentee did not present evidence that adapting modern electronics to the prior art device "was uniquely challenging or difficult for one of ordinary skill in the art." *Id.* This case likely will have significant relevance to analyzing e-patents, i.e., patents based on adapting previously known business methods to the internet.

In a second post-*KSR* obviousness case, this time addressing a biological invention, the Federal Circuit affirmed a finding that claims directed to improving the Bt expression in corn plants by selecting codons rich in G+C nucleotides were obvious in view of a

published prior art patent application describing how to increase Bt expression in plants by selecting codons that were preferred by the native plant and the common knowledge that G+C nucleotides were the preferred codons for corn. The Federal Circuit rejected the patentee's argument that because the prior art reference only described applying its teachings to tobacco plants, it did not render the claimed invention obvious when applied to corn plants. The court held that the explicit statement in the prior art reference that its teachings were "equally applicable in other plant species" defeated the patentee's argument. *Syngenta Seeds, Inc. v. Monsanto Co.*, No. 2006-1203, 2007 WL 1295028, *3-*4 (Fed. Cir. May 3, 2007) (*nonprecedential*).

Claim Construction

Applying the principle that no limitation in a claim may be ignored, the Federal Circuit rejected a patentee's proposed claim construction because it eliminated a requirement that two components "together" perform a function. In *Foremost in Packing Sys., Inc. v. Cold Chain Technologies, Inc.*, No. 2006-1582, 2007 WL 1266117 (Fed. Cir. May 2, 2007), the asserted patent disclosed an insulated cooler for storing biological samples. The lid of the cooler had downwardly protruding blocks extending into cavities in the body of the cooler, each partially filled with coolant. The patent specifically claimed that "the coolant and the insulated block *together* substantially fill[ed] the coolant cavity." The patentee sought to construe the claim broadly to cover a cooler that, while having blocks on the lid, did not have those blocks extend into the cavities. The Federal Circuit rejected the patentee's argument that if the coolant completely filled the cavity, the block did not have to extend into the cavity to infringe the claim since that construction read out the requirement that the block and coolant *together* filled the cavity. Accordingly, the Federal Circuit affirmed a summary judgment of no literal

infringement and no infringement under the doctrine of equivalents.

Priority Contests

Vacating a priority award in a PTO interference in favor of the senior party, the Federal Circuit held that a technician's visual observations of a test he conducted on a claimed composite detergent tablet sufficed to show a reduction to practice of the subject matter of the interference count, which innured to the benefit of the named inventor. The court held that the technician's contemporaneously recorded notes in his notebook, showing that he appreciated the invention worked for its intended purpose, provided sufficient corroborating evidence of the reduction to practice. *Henkel Corp. v. The Procter & Gamble Co.*, No. 2006-1542, 2007 WL 1376358, *5-*6 (Fed. Cir. May 11, 2007).

Placing a limit on the PTO's ability to rely on its own expertise in contested proceedings in the office, such as an interference or *inter partes* reexamination, the Federal Circuit vacated a finding of derivation because the PTO improperly used its own expertise to fill-in gaps in the record evidence on whether a drawing provided an enabling disclosure. The Federal Circuit held that when the PTO acts as an impartial adjudicator in a contested matter "it is impermissible for the Board to base its factual findings on its expertise, rather than on evidence in the record." The court noted, however, that "the Board's expertise appropriately plays a role in interpreting record evidence." But the Board may not use its expertise as a substitute to cure a party's failure to carry its evidentiary burden on an issue. Accordingly, the Federal Circuit found that where the junior party failed to present evidence demonstrating that a drawing it gave the senior party had an enabling disclosure of features of the invention recited in the count, but not shown in the drawing, the Board erred in using its own expertise to conclude that one of skill in the art would recognize that the drawing implicitly taught those features. *Brand v. Miller*, No. 2006-1419, 2007 WL 1391387, *5-*6 (Fed. Cir. May 14, 2007).

Declaratory Judgments

District courts continue to adapt to the fallout from Supreme Court's criticism, in *MedImmune*, of the "reasonable apprehension" test as the legal standard for determining if subject-matter jurisdiction exists for declaratory-judgment actions brought by potential accused infringers against patentees. In *Crutchfield*

New Media, LLC v. Charles E. Hill & Assocs., Inc., No. 1:06-cv-0837-LJM-JMS, 2007 WL 1320750, *2 (S.D.Ind. May 4, 2007), the district court, after considering *MedImmune*, and the two post-*MedImmune* Federal Circuit cases of *Teva Pharm. USA, Inc. v. Novartis Pharm. Corp.*, 482 F.3d 1330 (Fed. Cir. 2007) and *SanDisk Corp. v. ST Microelectronics, Inc.*, 480 F.3d 1372 (Fed. Cir. 2007), ruled that a patentee's letter to an accused infringer requiring the accused infringer to agree to a proposed license by a specified date, coupled with the patentee's providing the accused infringer with information about the patentee's prior suits asserting the patent against others, created a sufficient case and controversy to support the declaratory-judgment action. The court rejected the patentee's contention that the accused infringer had to first notify the patentee that it believed the claims were invalid or not infringed before a "substantial controversy arose" between the parties.

On the side of finding jurisdiction lacking, a second district court held that where the declaratory-judgment plaintiff was not making or selling any product at the time it asserted its declaratory-judgment claim against the patentee, no actual controversy would exist to support subject-matter jurisdiction since the plaintiff failed to satisfy the element of "immediacy." *Sensitron, Inc. v. Wallace*, No. 2:06-CV-63 TS, 2007 WL 1302755, *3-*4 (D. Utah May 2, 2007). Thus, it appears that the Federal Circuit's pre-*MedImmune* jurisprudence regarding "immediacy," see generally, *Sierra Applied Sciences, Inc. v. Advanced Energy Indus., Inc.*, 363 F.3d 1361, 1378-80 (Fed. Cir. 2004), remains intact.

In a third case, and in what appears to be the first application of *MedImmune* to the issue of a patentee mooting a controversy by providing a covenant not to sue, a district court held that a patentee's covenant not to sue did not moot the controversy between the parties. Specifically, the patentee had covenanted not to sue the declaratory judgment plaintiff on the asserted patent for any past, present, or future products made or sold by the plaintiff. The patentee also covenanted not to sue any of the plaintiff's customers for which the plaintiff had promised to indemnify as of the date the complaint was filed. Concluding that the covenant did not cover all of the plaintiff's customers, i.e., customers who purchased products after the complaint was filed or customers who could exercise a statutory right to indemnity under the state's Uniform Commercial Code, the court held that "all the

circumstances” showed that a controversy remained since the plaintiff still faced the “loss of its customer base and reputation in these circumstances.” *WS Packaging Gp., Inc. v. Global Commerce Gp., LLC*, No. 06-C-674, 2007 WL 1394154, *4-*5 (E.D. Wis. May 11, 2007).

One-Year Bar

In what appears to be a ruling of first impression by a federal court, the Eastern District of Texas held that the grace period for extending the date to file papers in the PTO due to legal holidays, as provided by 35 U.S.C. § 21(b), applies in determining the critical date for purposes of assessing the one-year bar for anticipation under § 102(b). Hence, the court held that where the one-year grace period of § 102(b) expired on a federal holiday, § 21(b) extended the inventor’s time to submit its patent application to the next business day without violating the one-year bar. *Orion IP, LLC v. Mercedes-Benz USA, LLC.*, 2007 WL 1276942, *2 (E.D. Tex. May 2, 2007).

Preliminary Injunctions

Ruling that undue delay negated a showing of irreparable harm based on the impending expiration of an asserted patent, the District of Delaware denied a patentee’s motion for a preliminary injunction even though the asserted patent was set to expire at the end of the month. The court held that the patentee’s five-year delay in seeking the injunctive relief contradicted its allegation of irreparable harm. Further, the court found to be wholly speculative the patentee’s argument that it was suffering irreparable harm from losing market share to the accused infringer where the patentee was the dominant player in the market and its sales grew during the period from when it commenced its suit to the time it filed its motion. *Digene Corp. v. Ventana Med. Sys., Inc.*, 2007 WL 1364401, *7 (D. Del. May 9, 2007).

In another case addressing a motion for a preliminary injunction, a district court held that an accused infringer’s admission to the FDA that its drug product was “bioequivalent” to the patentee’s drug product did not show that the patentee had a substantial likelihood of proving infringement of the asserted patents under the doctrine of equivalents. The court instructing that “[i]f bioequivalency meant per se infringement, no alternative to a patented medicine could ever be offered to the public during the life of a patent.” *Abbott Labs. v. Sandoz, Inc.*, No. 07 C 1721, 2007 WL 1317143, *9 (N.D. Ill. May 3, 2007).

Privilege

Considering issues of attorney-client privilege and work-product immunity in the context of a group of accused infringer’s working together to defend against a patentee’s infringement charges, a district court held that communications made between actual and potential codefendants were privileged. Additionally, the court held that work-product immunity protected communications between members of the group and third parties where those communications were made in anticipation of the litigation. *Trading Technologies Int’l, Inc. v. eSpeed, Inc.*, No. 04 C 5312, 2007 WL 1302765, *1-*2 (N.D. Ill. May 1, 2007).

Procedural Rulings

In a blow to a patentee, the Eastern District of Texas denied a patentee’s request to amend its preliminary contentions to assert an earlier priority date for its patent. Although only six months had passed from when the patentee had served its initial contentions, the court concluded that permitting the assertion of an earlier priority date would unduly prejudice the accused infringer because it would require the accused infringer to reassess its invalidity positions, redo its invalidity contentions previously filed with the court, and would also reduce the universe of available prior art. The court held that this prejudice, together with the patentee’s failure to show good cause for not including information that was publicly available to the patentee before it filed its suit, justified denying the requested leave. *Softvault Sys., Inc. v. Microsoft Corp.*, No. 2:06-CV-16, 2007 WL 1342554, *2 (E.D. Tex. May 4, 2007).

Thwarting an accused infringer’s creative attempt to force a named inventor who had retired and lived in Japan to sit for a deposition in the United States, a court rejected the theory that the inventor was a “managing agent” of the patentee under FRCP 30(b). But the court did rule that in view of a provision in the patent-application assignment obligating the employee to give oaths relating to the patent, the employee had a contractual obligation to make himself available for a deposition in his home country. *Murata Mfg, Co., Ltd. v. Bel Fuse, Inc.*, No. 03 C 2934, 2007 WL 1317100 (N.D. Ill. May 2, 2007).

Twelve days later, in an unrelated action, the Delaware District Court reached a contrary legal conclusion regarding the location of a foreign inventor’s deposition. Ruling that an inventor’s promise in its patent-application assignment to testify

“in any interference or other proceeding . . . in which said invention . . . or patent directed thereto may be involved” operated to make the foreign non-employee inventor subject to the control of the patentee for purpose of deposition. Consequently, the court granted an accused infringer’s motion to compel three foreign inventors to sit for depositions in the United States subject to the accused infringer paying the inventors’ travel and lodging costs. *Amgen, Inc. v. Ariad Pharmaceuticals, Inc.*, No. 06-259-MPT (D. Del. May 14, 2007).

LEGISLATIVE HAPPENINGS

The House and Senate continue their work on proposed legislative reforms to the Patent Act, following introduction of the April 18, 2007 bill. The House Subcommittee on Courts, the Internet, and Intellectual Property heard testimony on April 26, 2007 from a diverse sampling of voices, including from Gary Griswold (President and Chief IP Counsel of 3M) on behalf of the Coalition for 21st Century Patent Reform; Anthony Peterman (Director, Patent Counsel, Dell Inc.); Kevin Sharer (CEO and Chairman of the Board, Amgen, Inc.); John Thomas (Professor of Law, Georgetown University Law Center); and William Tucker (Executive Director, Research Administration and Technology Transfer, University of California). On May 9, 2007, the House IP Subcommittee held a closed-door session and is expected to release a revised mark-up of its proposed reform bill on May 17, 2007.

ADMINISTRATIVE HAPPENINGS

New U.S. Patent and Trademark Office rules limiting claims and continuation applications may

become effective in August 2007. These two rule packages (of three introduced in 2006) made their way to the Office of Management and Budget (OMB) on April 10, 2007 for final approval. The third rule package, concerning IDSs, is expected to make its way to the OMB following Director Dudas’ approval, where it is currently pending. The final rules limiting claims and continuations submitted to the OMB are said to be a modified version of the 2006 proposed rules, although the modified version was not officially released. The OMB typically takes up to ninety (90) days to complete its review, but will frequently grant itself an extension of time. Thus, most likely, the earliest that the final rules on claims and continuations may be published is July 10, 2007. Based on previous PTO statements, the final rules would be effective within thirty (30) days of publication, making August 2007 the expected month of implementation.

In the wake of *KSR*, the Deputy Commissioner for Patent Operations issued a memorandum on May 3, 2007, providing interim instructions for obviousness rejections until the PTO completes its study of *KSR* and issues more formal guidance. Noting the Supreme Court’s instruction that findings of a reason to combine prior art “should be made explicit,” the Deputy Commissioner instructed that in formulating obviousness rejections based on a combination of prior art references “it remains necessary to identify the reason why a person of ordinary skill in the art would have combined the prior art elements in the manner claimed.”

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