



PATENT HAPPENINGS

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

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JUDICIAL HAPPENINGS

Obviousness

In its second published post-*KSR* opinion addressing obviousness, the Federal Circuit held that *KSR* does not dispense with the requirement that some motivation must be shown to modify or combine prior art to arrive at the claimed invention before an invention is found invalid for obviousness. Rather, *KSR* only mandates that the courts must flexibly apply its test to show a motivation to combine or modify. Accordingly, the Federal Circuit stated that “in cases involving new chemical compounds, it remains necessary to identify some reason that would have led

a chemist to modify a known compound in a particular manner to establish prima facie obviousness of a new claimed compound.” Applying this principle, the Federal Circuit affirmed a judgment that a claim to a chemical for treating type-2 diabetes was not an obvious modification of a prior-art compound that had a similar chemical structure. The claimed chemical compound differed from the prior-art compound structurally by substituting an ethyl group for a methyl group and having the ethyl group in a different ring position. Functionally, the claimed compound was not toxic to humans while the prior-art compound was toxic. The accused infringer argued that due to the structural similarity, a presumption applied that one of skill would have been motivated to modify the prior-art compound to arrive at the claimed compound. The Federal Circuit rejected this argument in view of the fact that the prior-art compound was toxic, the art was unpredictable, and there was no reasonable expectation of success that the prior-art compound could be used or modified to create a useful nontoxic drug, therefore the accused infringer had failed to even show that one of skill in the art would have known to begin with the prior-art compound and then to modify it to produce a useful drug product. The accused infringer further argued that it would have been “obvious to try” chemical modifications and arrive at the claimed invention. The court rejected this argument too by noting that unlike the situation in *KSR* where there was a finite range of identifiable variations to try, there were no identifiable and predictable solutions in the prior art that would have led one of skill to start with a particular compound and then modify it to achieve the claimed invention. In short, the accused infringer “failed to show that there existed a reason, based on what was known at the time of the invention, to perform the chemical modifications necessary to achieve the claimed compounds.” Thus, the claimed compound was not obvious. *Takeda Chem. Indus.*,

Ltd. v. Alphapharm Pty., Ltd., No. 06-1329, 2007 WL 1839698, *5-*11 (Fed. Cir. June 28, 2007).

It is interesting to compare the non-obviousness finding in *Takeda* with the obviousness finding in *Leapfrog Enterprises, Inc. v. Fisher-Price, Inc.*, 485 F.3d 1157 (Fed. Cir. May 9, 2007), the court's other published post-KSR obviousness case. Judge Lourie wrote both opinions. In *Leapfrog*, the claimed invention related to a predictable art. The court found that updating a mechanical prior-art device with modern electronics to gain commonly understood benefits would have been reasonably obvious to one of ordinary skill. In contrast, the unexpectedness of modifying a toxic chemical compound to achieve a non-toxic drug product in an unpredictable art played a significant role in the court's finding of validity in *Takeda*. Hence, it appears that showing "unexpected results" or that the one of skill would not have had a "reasonable expectation of success" are now the key elements to show an invention is not obvious.

In another case addressing obviousness, the Federal Circuit, in a nonprecedential opinion, upheld a JMOL declaring claims directed to a well-cleaning apparatus invalid for being obvious in view of a combination of several prior-art references that collectively taught each of the individual claim limitations. Finding ample evidence of a motivation for one of skill in the art to look to and combine the prior-art references based on teachings in the prior art, expert testimony, and "common sense" of one of skill in the art to adjust an adjustable device, the Federal Circuit affirmed the invalidity judgment. It noted that the district court properly found that "no new insight was required to make the needed combination of prior art references." *Frazier v. Layne Christensen Co.*, No. 06-1584 (Fed. Cir. June 29, 2007) (*nonprecedential*).

Failure to Disclose Corresponding Structure

Further clarifying the law regarding means-plus-function limitations, the Federal Circuit held that a generic "black box" disclosure of a "control means," with a general statement in the specification that known structure could be used to perform the control function, but without further identifying that "known structure," failed to disclose sufficiently corresponding structure for the "control means." Accepting that one of skill in the art would know what structure could perform the function, the Federal Circuit nevertheless held that based on the limited generic description of the black box one of skill in the art would not know what structure the inventor had claimed, and therefore the

claims were invalid. In so ruling, the Federal Circuit answered in the negative the question: "for purposes of § 112, ¶ 6, is sufficient corresponding structure disclosed when the specification simply recites that a claimed function can be performed by known methods or using known equipment where prior art of record and the testimony of experts suggest that known methods and equipment exist?" The court instructed that under § 112, ¶ 6, "the applicant must indicate in the specification what structure constitutes the means." "[A] bare statement that known techniques or methods can be used does not disclose structure[.]" and therefore does not meet the statutory requirements. Instead, "[t]he inquiry is whether one of skill in the art would understand the specification itself to disclose a structure, not simply whether that person would be capable of implementing a structure." *Biomedino, LLC v. Waters Technologies Corp.*, No. 2006-1350, 2007 WL 1732121, *1-*6 (Fed. Cir. June 18, 2007).

Claim Construction

In a claim directed to a medical device requiring a "pneumatic cylinder," the Federal Circuit held that the district court erred in narrowly construing the claim to further require that the cylinder have a pressure activated seal. The district court narrowly construed the claim since the written description only described embodiments of the invention with a pressure activated seal. The Federal Circuit held that under the particular circumstances this was error. Instructing that "[a] patent that describes only a single embodiment is not necessarily limited to that embodiment," the court noted that the specification, while only describing cylinders with a pressure activated seal, did not describe the presence of the pressure activated seal as being "essential" to the operation of the invention. Accordingly, the specification did not provide a restrictive description that dictated a narrow claim construction. Further, the prosecution history showed that while all the claims from the parent application included the pressure activated seal as an express claim limitation, the inventor had omitted that limitation from the asserted claims issuing from a continuation application while retaining the limitation in other claims of the continuation application. According to the court, this provided strong evidence that the inventor intended to broadly claim the device as not requiring the pressure activated seal in the asserted claims. Further, the inventor had also submitted a petition to make special and in that petition accused products that did not have a pressure activated seal as

infringing. This further showed that the inventor intended to broadly claim the device. Given the prosecution history and its strong showing of a clear intent to omit the pressure activated seal from the asserted claims, the Federal Circuit also rejected the accused infringer's reliance on validity-based arguments to support the district court's narrow construction. Rather, the Federal Circuit directed the accused infringer to assert its invalidity arguments on remand when it sought to prove its invalidity defenses. *Saunders Gp., Inc. v. Comfortrac, Inc.*, No. 2006-1576, 2007 WL 1827843, *4-*8 (Fed. Cir. June 27, 2007).

Inequitable Conduct

A patentee's late submission to the PTO of material information, consisting of deposition testimony given in the infringement action, cured any earlier failure to disclose the information and required reversing a summary judgment finding inequitable conduct. The district court had held that because the patentee had not submitted the deposition transcript to the PTO until after the accused infringer had moved for summary judgment of inequitable conduct, the patentee's late submission failed to cure its original conduct in not submitting the information. The Federal Circuit disagreed. It held that even though the patentee was prompted by the accused infringer's motion, the patentee made its submission more than five months before the PTO issued its second office action, and therefore since the PTO had sufficient time to consider the information, there was no failure to disclose. The court stated that "[t]he essence of the duty of disclosure is to get relevant information before an examiner in time for him to act on it, and that did occur here." The Federal Circuit also held that no inequitable conduct arose from the patent attorney's alleged misstatements in characterizing prior art cited by the examiner since the statements were attorney argument, not "gross mischaracterizations or unreasonable interpretations," and therefore the statements did not rise to the level of being affirmative misrepresentations, as the district court had erroneously found. Noting that the examiner had the prior-art references before him, the Federal Circuit concluded the examiner was "free to reach his own conclusions and accept or reject [the applicant]'s arguments" as to the disclosure of the references. *Young v. Lumenis, Inc.*, No. 06-1455, 2007 WL 1827845, *10-*11 (Fed. Cir. June 27, 2007).

Declaratory Judgments

An accused infringer showed a sufficient case or

controversy to support jurisdiction for its declaratory judgment claim by alleging that it stopped selling its accused product and switched to a noninfringing redesigned product to avoid the patentee's infringement allegations but wanted to continue to sell its original product. The patentee argued that since the accused infringer had voluntarily ceased selling its accused product, no case or controversy existed. The district court disagreed. Applying the new "all circumstances" standard for determining whether a sufficient case or controversy exists to support jurisdiction for a declaratory judgment claim, the court ruled that the patentee caused an actual and imminent injury to the accused infringer because the patentee's enforcement acts effectively forced the accused infringer to change its product, and placed the accused infringer into the position of either forgoing production and sale of its original accused product, as it wanted to do, or face an infringement suit. In view of the patentee's letter to the accused infringer threatening suit if the accused infringer reverted to selling its original accused product, the court found the patentee's contention that no case or controversy existed to be disingenuous. Additionally, the court rejected the patentee's argument that the accused infringer must have first notified the patentee that it created its redesign product only to avoid infringement before it could rely on its switch to a redesigned product to show a case or controversy. The court holding "[t]here is no requirement in the law that a potential infringer personally, explicitly, and unequivocally inform a patent holder that it has decided not to take a potentially infringing action as a direct result of the patentee's patent rights before bringing a claim under the Declaratory Judgment Act." *Judkins v. HT Window Fashions Corp.*, 2007 WL 1704666, *8 (W.D. Pa. June 12, 2007).

Permanent Injunctions

Judge Davis of the Eastern District of Texas granted a government sponsored research organization a permanent injunction to enjoin an infringer from continuing to infringe the organization's patent directed to wireless internet technology that had been adopted as an industry standard. The infringer had argued that since the patentee only licensed its technology and did not sell a competing product, it suffered no irreparable harm from the infringement, and therefore should only receive a compulsory license. Judge Davis disagreed. He ruled that the harm to the patentee's reputation as a research leader

and lost opportunities likely suffered by the patentee from having to divert time and money to enforcing its patent, which it could have otherwise spent on additional research, showed irreparable harm. The court further found that the harm from continued infringement to the patentee's research and development projects outweighed the harm that an injunction would cause the infringer from being excluded in competing in the relevant market, therefore the balance of the hardships favored granting the injunction. The court also ruled that the public interest favored strong patent protection for research organizations since their work "is often fundamental to scientific advancement." Accordingly, this factor also favored granting the injunction. *Commonwealth Scientific and Industrial Research Organisation v. Buffalo Technology Inc.*, 2007 WL 1739999, *4-*8 (E.D. Tex. June 15, 2007).

In a second case from the Eastern District of Texas, Judge Ward reconsidered in view of *eBay* and reinstated a permanent injunction enjoining activities that induced infringement. The court found that since the patentee directly competed with the infringer, future infringement would lead to a loss of market share for the patentee, which showed irreparable harm. The court further found that monetary damages would not adequately compensate the patentee since the nature of the induced infringement made it difficult to calculate those damages with precision. The court stated that "although future damages in lieu of an injunction may compensate Brooktrout for an *approximate* loss, that does not make future damages adequate in the sense that they are a suitable proxy for injunctive relief." *Brooktrout, Inc. v. Eicon Networks Corp.*, 2007 WL 1730112, *1-*2 (E.D. Tex. June 14, 2007).

In a § 271(e)(2) ANDA litigation regarding the blockbuster drug Plavix®, the district court granted the patentee a permanent injunction enjoining future commercial infringing activity of the generic drug product under § 271(e)(4), where the patentee showed that without the injunction "it is likely to suffer irreparable price erosion, loss of goodwill, and a negative impact on the amount of research devoted to developing other medical uses for [its claimed drug product] Plavix®." *Sanofi-Synthelabo v. Apotex Inc.*, 2007 WL 1746134, *42 (S.D.N.Y. June 19, 2007).

Sanction Ordered for Concealing Test Data

Judge Davis of the Eastern District of Texas, dismissed a patentee's infringement suit and

individually sanctioned an inventor and one of the lawyers representing the patentee based on their deliberate acts in failing to produce during the discovery period material relating to testing the inventor and lawyer had done on the accused product, which testing showed that the accused product did not meet a hotly disputed claim limitation. Rejecting the patentee's argument that work-product immunity applied to the testing, the court held that once the patentee shared the test results with its testifying expert on claim construction, the test results became discoverable under the court's discovery order. Instead of producing the test results, the inventor and lawyer engaged in a deliberate course of conduct to conceal the test results for over a year and half. The intentional failure to produce the test results severely prejudiced the accused infringer and, in the court's view, required the entry of judgment in the accused infringer's favor on its invalidity counterclaims and striking the patentee's complaint as the only appropriate sanction. Judge Davis warned litigants that "[t]his ruling makes clear to attorneys and parties in the Eastern District of Texas that they must understand and comply with this Court's discovery rules and their discovery obligations." Judge Davis further ordered that the sanctioned lawyer be barred from ever again appearing *pro hac vice* in the court. *ClearValue v. Pearl River Polymers, Inc.*, 2007 WL 1847640 (E.D. Tex. June 28, 2007).

Geographical Scope of Offer for Sales and Sales

District courts remain divided on whether an infringing "offer for sale" under § 271(a) requires that the intended sale be in the United States or whether the sale can occur abroad so long as the offer was made while the participants were physically present in the United States. In an interesting development, a district court relied on the Supreme Court's recent pronouncement in *Microsoft Corp. v. AT & T Corp.*, 127 S. Ct. 1746, 1758-59 (2007), that U.S. patent laws should be construed to limit their extraterritorial application, to side with the line of cases holding that an "offer for sale" under § 271(a) requires that the contemplated sale be a sale in the United States. *Semiconductor Energy Lab. Co. v. Chi Mei Optoelectronics Corp.*, 2007 WL 1793770, *20-*21 (N.D. Cal. June 19, 2007).

Another district court held that a foreign manufacturer's sales of accused products "F.O.B. China" to U.S. retailers were sales "within the United States" despite the "F.O.B. China" designation because

the manufacturer had negotiated the sales in the United States and the evidence showed that the United States was the manufacturer's primary market. The court noting, "Michilin's only attempt at a saving grace is that title passed 'FOB China,' but this does not overcome the evidence that an offer was *accepted* in Florida, where the price was agreed to, that Michilin dealt directly with Office Depot in Florida and sent commercial invoices to Florida, and that Office Depot directly paid Michilin, not any other entity. Michilin's direct sales to Office Depot were 'within the United States' under § 271(a) as a matter of law." *Fellowes, Inc. v. Michilin Prosperity Co.*, 2007 WL 1805162 (E.D. Va. June 22, 2007).

Improper Revival of PCT Application

A district court granted an accused infringer summary judgment that the PTO had improperly revived an abandoned PCT application that eventually led to a first asserted patent, and therefore the claims of the first patent were invalid. Originally, the PTO had held the PCT application abandoned due to the applicant's failure to pay timely the national fee and to respond to an office communication. The applicant petitioned the PTO to revive the application arguing that the delays were "unintentional." Applying the "unintentional" standard to revive an application, the PTO granted the revival petition. The district court held this was error because under the implicated statutory provisions, § 133 (failure to respond to an office action within six months) and § 371 (failure to timely pay national filing fee), Congress specifically limited the circumstances in which the PTO may revive an abandoned application to "unavoidable" delays. Accordingly, the PTO acted beyond its authority by reviving the application with only a showing that the delay was "unintentional," rather than the more rigorous showing that the delay could not have been avoided. The court also rejected the patentee's contention that since "improper revival" is not expressly listed as an invalidity defense in § 282 of the Patent Act, an accused infringer may not rely on it in defending against infringement charges. Following rulings of other district courts, the court held that the catch-all provision of §282(4) (which lists as a defense "any other fact or act made a defense by title 35") permits an accused infringer to rely on the failure to comply with § 133 or § 371 as an invalidity defense because it broadly encompasses all provisions of the Patent Act. The court contrasted this situation in which the relevant *statute* limited the standard for

reviving to "unavoidable" delays from situations where a PTO *regulation* set forth the applicable standard. In the latter case, the PTO has authority to suspend its regulations. But it does not have authority to suspend a statutory standard set by Congress. Finally, the court held that the publishing of the PCT application more than one year before the applicant filed a continuation application that led to the second asserted patent, made the PCT application invalidating prior art to the second asserted patent since the abandonment of the PCT application caused the § 120 priority claim to the PCT application filing date to fail. *Aristocrat Technologies Australia Pty Ltd Int'l Game Technology*, 2007 WL 1710625 (N.D. Cal. June 13, 2007).

Pleading Invalidity Defenses

In our May 31 issue, we noted that the Supreme Court's decision in *Bell Atlantic Corp. v. Twombly*, 127 S. Ct. 1955 (2007), while being a non-patent case, would likely impact the specificity that an accused infringer must meet when pleading invalidity declaratory judgment claims. We also noted that it was unclear whether the case would impact pleading invalidity as an affirmative defense. Wasting no time in addressing this issue, a district court dismissed an accused infringer's declaratory judgment counterclaim pleading that "One or more of the claims of the '057 patent are invalid under 35 U.S.C. § 103" and "One or more of the claims of the '057 are invalid as being indefinite under 35 U.S.C. § 112, second paragraph," for failing to plead sufficient facts to show the grounds for the invalidity claim as required under *Bell Atlantic*. The court ruled that the "causes of action are pleaded in entirely conclusory fashion, with no supporting facts of any kind. As such, they run afoul of the pleading standards enunciated by the Supreme Court in *Bell Atlantic* and cannot survive Rule 12(b) scrutiny, in their present form." The same invalidity allegations, however, were also pled as affirmative defenses, to which the patentee had not objected. As affirmative defenses, the court found the pleading to be sufficient. It noted that "[n]othing in *Bell Atlantic* would appear to require more detailed pleading of affirmative defenses, and the Court finds nothing inadequate or unsatisfactory in said pleading." *Bartronics, Inc. v. Power-One, Inc.*, 2007 WL 1751119, *5 (S.D. Ala. June 15, 2007).

LEGISLATIVE HAPPENINGS

Opposition continues to grow towards certain elements of the proposed patent reform. On June 19, a

group of more than 200 organizations, businesses, and universities wrote to the congressional committees working on patent reform and urged the committees to eliminate the proposed provisions requiring apportionment of damages, the administrative post-grant review mechanism, and granting the PTO broad rule making authority. Despite this and other opposition letters sent to Congress, including several from Chief Judge Michel of the Federal Circuit, the Senate judiciary committee's June 21, 2007 markup of its bill retains the controversial provisions of damage apportionment, interlocutory appeals of claim construction orders, and the administrative post-grant review.

ADMINISTRATIVE HAPPENINGS

While the PTO did not announce any patent-related developments of interest this reporting period, the Federal Circuit issued two opinions affirming PTO practices. In the first opinion, the court affirmed a summary judgment upholding an order of the PTO disciplinary board excluding an attorney from further practice before the PTO. The attorney had contracted with an invention promotion company to represent the company's clients; many of whom were individual inventors unsophisticated in patent matters. The PTO found that the attorney had prosecuted approximately 1000 design patent applications on behalf of the clients of the invention promotion company and had failed to adequately advise the clients individually of the differences between utility patents and design patents when it was apparent that many of the clients desired utility applications. The Board found that in view of the compensation paid to the attorney by the invention

promotion company, the attorney had continued with the prosecution of the design applications so that the company's money-back guarantee would not be implicated without adequately advising the clients. This conduct violated several ethical regulations including the failure to advise clients on how to best to protect their inventions and allowing the compensation paid by the invention promotion company to prejudice the attorney's professional judgment in acting in the best interests of the client. *Bender v. Dudas*, No. 2006-1243, 2007 WL 1774920 (Fed. Cir. June 21, 2007).

In the second case, the Federal Circuit upheld the PTO's reliance on the standards set forth MPEP § 2163.04(I)(B) for establishing a *prima facie* showing of an inadequate written description sufficient to issue a claim rejection. Noting that when faced with an inadequate written description, "the only thing the PTO can reasonably be expected to do is to point out its nonexistence," the Federal Circuit held that an adequate *prima facie* case to support a written-description rejection exists where the examiner "sufficiently explain[s] to the applicant what, in the examiner's view, is missing from the written description." In the case before the court, the examiner had stated in the rejection that while the elements of the claims may have been disclosed in the specification individually, there was no disclosure of the particular claimed combination of those elements. Because this rejection "clearly notified [the applicant] of what exactly the examiner felt was missing by way of written description," it was proper. *Hyatt v. Dudas*, No. 2006-1171, 2007 WL 1839700, *3-*4 (Fed. Cir. June 28, 2007).

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