

DEVELOPMENTS IN PATENT LAW 1998

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A. PATENTABILITY & VALIDITY

1. STATUTORY SUBJECT MATTER (METHODS OF DOING BUSINESS)

State Street Bank & Trust Co. v. Signature Financial Group, Inc., 149 F.3d 1368 (Fed. Cir. 1998).

Methods of doing business are not per se unpatentable, as long as the claimed subject matter falls within one of the statutory classes (process; machine; article of manufacture; composition of matter). The court rejected the Freeman-Walter-Abele test and replaced it with a two-step inquiry: (1) Is the claim directed to one of the four enumerated categories of patentable subject matter in 35 U.S.C. § 101; and (2) Does the claimed subject matter produce a useful, concrete and tangible result rather than an abstract idea. The fact that the result is expressed as a number does not detract from its utility.

At the transformation of data . . . by a machine through a series of mathematical calculations into a final share price, constitutes a practical application of a mathematical algorithm, formula or calculation Id. at 1373. Focus should be on whether the claim has a practical utility. Id. at 1375.

2. ON-SALE BAR (ALREADY FOR PATENTING)

Pfaff v. Wells Elecs., Inc., 119 S. Ct. 304 (1998). (Federal Circuit decision, 124 F.3d 1429 (Fed. Cir. 1997). The Supreme Court rejected the Federal Circuit's substantially complete test for invoking on-sale bar. New test: (1) was the invention the subject of a commercial offer for sale; and (2) was the invention already for patenting prior to the critical date. Already for patenting can be shown by either (a) actual reduction to practice; or (b) existence of drawings or other descriptions that are sufficiently specific to enable a person skilled in the art to practice the invention. The Court reaffirmed the experimental use exception to the on-sale and public use bars.

Continental Plastic Containers v. Owens Brockway Plastic Prods, Inc., 141 F.3d 1073 (Fed. Cir. 1998). An experimental use exception to on-sale bar does not apply to design patents. There is no functionality to be tested for an ornamental design. An on-sale bar arose where the patentee made a model and drawings of the design for a container and entered into a sales contract more than one year before filing a design patent application, even though the container features were changed for commercial manufacturing purposes.

3. ANTICIPATION

Celeritas Tech., Ltd. v. Rockwell Int'l Corp., 150 F.3d 1354 (Fed. Cir. 1998). Whether a reference teaches away from the claimed invention is irrelevant to the question of anticipation; a reference is no less anticipating if, after disclosing the invention, it disparages it.

4. OBVIOUSNESS

In re Rouffet, 149 F.3d 1350 (Fed. Cir. 1998). There must be a motivation to combine references in order to render a claimed invention obvious; mere reliance on high level of skill in the art as motivation is not sufficient. The court has approved three possible sources for motivation to combine: (1) nature of problem to be solved; (2) teachings of the prior art; (3) knowledge of persons of ordinary skill in the art.

5. WRITTEN DESCRIPTION REQUIREMENT (UNDUE BREADTH; INHERENCY)

Gentry Gallery, Inc. v. Berkline Corp., 134 F.3d 1473 (Fed. Cir. 1998). Claims that failed to specify the location of a recliner control were invalid under 35 U.S.C. § 112, first paragraph, because they were broader than the supporting disclosure, which required that the controls be located on a fixed console. The court found it significant that the original claims, the objects of the invention, and the specification all referred to a control that was on the console.

Tronzo v. Biomet, Inc., 156 F.3d 1154 (Fed. Cir. 1998). A patent application that disclosed only a conical cup for a hip prosthesis did not provide sufficient written description for a later-filed patent application that claimed merely a generic cup without limiting it to a conical shape. There is nothing in the '589 specification to suggest that shapes other than conical are necessarily a part of the disclosure. . . . [the expert's] testimony does not explain why a broader supporting disclosure is necessarily part of the '589 patent. Id. at 1159-60.

In re Daniels, 144 F.3d 1452 (Fed. Cir. 1998). If a later claimed design is clearly visible in an earlier filed design patent application, there is sufficient written description to claim priority. In this case, an applicant was permitted to delete the decorative leaf design from an earlier filed application because the ornamentation did not obscure the design of the leecher, all details of which are visible in the drawings of the earlier application. The court rejected the PTO's view that deleting any features from the design drawings defeated a priority claim.

6. CORROBORATION OF INVALIDITY EVIDENCE UNDER 102(A)

Woodland Trust v. Flowertree Nursery, Inc., 148 F.3d 1368 (Fed. Cir. 1998). Patent was improperly invalidated under 35 U.S.C. § 102(a) based on uncorroborated oral testimony of prior use; no documentary evidence to support testimony of biased witnesses.

7. INVENTORSHIP (CORROBORATION; QUALITY OF CONTRIBUTION)

Ethicon, Inc. v. United States Surgical Corp., 135 F.3d 1456 (Fed. Cir. 1998). An alleged co-inventor must provide clear and convincing evidence of co-invention, including corroboration under a Rule of reason analysis. The court must consider the corroborating evidence in context, make credibility determinations, and assign weight to each piece of evidence to determine whether the co-inventor has met this burden of proof. A co-inventor of a single claim can claim co-ownership to the entire patent, and can defeat an infringement suit by giving a license to the accused infringer.

Pannu v. Iolab Corp., 155 F.3d 1344 (Fed. Cir. 1998). All that is required of a joint inventor is that he (1) contribute in some significant manner to the conception or reduction to practice of the invention; (2) make a contribution to the claimed invention that is not insignificant in quality when measured against the full invention; and (3) do more than merely explain well-known concepts or the state of the art to the other inventors.

8. DOUBLE PATENTING

In re Berg, 140 F.3d 1428 (Fed. Cir. 1998). Obviousness-type double patenting upheld under Aone-way test rather than In re Braat Atwo-way test; applicant could have included all claims in a single application. Two-way test is applicable only in narrow circumstances.

9. REISSUE PROCEEDINGS (RECAPTURE RULE)

Hester Indus., Inc. v. Stein, Inc., 142 F.3d 1472 (Fed. Cir. 1998). Arguments made during prosecution of original patent (without amendment) invoked Arecapture rule≡ to bar broadening reissue claims. Repeated statements that claims required Asteam alone≡ from Atwo sources of steam≡ precluded later broadening reissue of claims lacking these limitations.

In re Clement, 131 F.3d 1464 (Fed. Cir. 1997). If a reissue claim is broader in respect to a limitation that was the subject of a prior art rejection in the original application, but narrower in another respect completely unrelated to the rejection, then Arecapture rule≡ bars reissue claim. If a reissue claim is narrower in respect to a limitation that was the subject of a prior art rejection but broader in other respects, the Arecapture rule≡ does not bar the claim. Here, the claim was narrower in one area related to a prior art rejection but broader in another area also related to a prior art rejection; Aon balance≡, it is Abroader than it is narrower≡ and thus barred. (December 1997).

10. REEXAMINATION

In re Hiniker Co., 150 F.3d 1362 (Fed. Cir. 1998). A rejection based on a combination of references that included one new reference not before the examiner during prosecution of the original patent cured any error in a reexamination that was based only on art previously considered in the original examination.

11. DEFERENCE GIVEN TO PTO PATENTABILITY DECISIONS

In re Zurko, 142 F.3d 1447 (Fed. Cir. 1998)(in banc), cert. granted, 1998 WL 596684, No. 98-377 (November 2, 1998). Federal Circuit uses Aclearly erroneous≡ standard for reviewing findings of fact from the PTO, rather than Aarbitrary and capricious≡ or Asubstantial evidence≡ standards contained in the APA.

B. INTERPRETATION OF PATENTS

1. CLAIM CONSTRUCTION (PURELY LEGAL ISSUE; NO AFACTS≡)

Cybor Corp. v. FAS Technologies, Inc., 138 F.3d 1448 (Fed. Cir. 1998)(in banc). Claim construction is purely a matter of law subject to de novo review; no deference will be given to any subsidiary facts that a district court may have found, including expert testimony. AAs a purely legal question, we review claim construction de novo on appeal including any allegedly fact-based questions relating to claim construction.≡

PPG Indus. v. Guardian Indus. Corp., 156 F.3d 1351 (Fed. Cir. 1998). In a claim containing the transition phrase "consisting essentially of," it was for the jury to decide whether the accused composition contained enough iron sulfide to have a material effect on the claimed composition. In other words, materiality is not a legal question but a question of fact. Although the patentee could have defined in the specification what it regarded as material, it did not do so in this case.

Key Pharmaceuticals v. Hercon Lab. Corp., 1998 WL 812976, No. 98-1067 (Nov. 25, 1998). The Vitronics case might be misread by some members of the bar as restricting a trial court's ability to hear [extrinsic] evidence. We intend no such thing. To the contrary, trial courts generally can hear expert testimony for background and education on the technology implicated by the presented claim construction issues, and trial courts have broad discretion in this regard. . . . What is disapproved of is an attempt to use extrinsic evidence to arrive at a claim construction that is clearly at odds with the claim construction mandated by the claims themselves, the written description, and the prosecution history.

Renishaw plc v. Marposs Societa' Per Azioni, 158 F.3d 1243 (Fed. Cir. 1998). Court explained two claim interpretation canons: (1) A party seeking to use statements in the written description to limit the scope of a claim must point to a term or terms in the claim with which to draw in those limitations (interpreting terms vs. adding limitations). (2) In order for a patentee to be his own lexicographer, he must provide definitions with reasonable clarity, deliberateness, and precision before it can affect the claim. Absent a clear definition in the specification, the ordinary meaning controls. In this case, canon (1) is applicable. The claimed word "when" is explained in the specification as the point where deflection occurs, not merely when contact occurs.

2. DOCTRINE OF EQUIVALENTS INFRINGEMENT

Vehicular Tech. Corp. v. Titan Wheel Int'l, Inc., 141 F.3d 1084 (Fed. Cir. 1998). Where patent specification indicated that claimed spring assembly must perform two separate functions (biasing force and back-up feature), an accused device having a spring assembly that lacks one of those functions (back-up feature) cannot infringe under the doctrine of equivalents. The specification emphasizes repeatedly the back-up feature of the inner spring, yet the accused device cannot perform this function. (Dissent by Judge Newman: criticizes unclaimed advantages holding).

3. PROSECUTION HISTORY ESTOPPEL (ESTOPPEL DOES NOT CREATE A BAR)

Litton Systems, Inc. v. Honeywell, Inc., 140 F.3d 1449 (Fed. Cir. 1998). Supreme Court did not intend to bar doctrine of equivalents when a limitation is amended to avoid prior art; court must still consider scope of equivalents based on prosecution history. A clear and unmistakable surrender of subject matter can bar equivalents even though no amendment is made. Estoppel can arise as to references that were not cited by the examiner. Where the patentee distinguished the claims from several prior art references, he was estopped from claiming infringement under the doctrine of equivalents as to any of the distinguished references or trivial variations of those references.

Hughes Aircraft Co. v. United States, 140 F.3d 1470 (Fed. Cir. 1998). (same) The Supreme Court merely created a rebuttable presumption that amendments made to avoid the prior art give rise to estoppel; the scope of that estoppel must still be determined.

4. INTERPRETING MEANS-PLUS-FUNCTION CLAIMS

Chiuminatta Concrete Concepts, Inc. v. Cardinal Indus., Inc., 145 F.3d 1303 (Fed. Cir. 1998). The determination of both the function and the means (structure) in a means-plus-function clause is a matter of claim construction to be resolved by the court. The recited function of supporting the surface is performed by a skid plate; no reasonable juror could find that the wheels of the accused structure are equivalent structure. (The court left open the question whether equivalence of structures under § 112, & 6 is a question of law or a question of fact). No infringement under the doctrine of equivalents here because the purportedly equivalent structure (wheels) was known at the time the patent application was filed yet it was not disclosed in the specification. This rule does not apply to later-developed technologies. Stated differently: If a means-plus-function claim is not literally infringed, there can be no infringement under the doctrine of equivalents unless the infringing device was based on after-developed technology that was not disclosed in the patent.

Kahn v. General Motors Corp., 135 F.3d 1472 (Fed. Cir. 1998). A structure disclosed in the specification is only deemed to be corresponding structure if the specification clearly links or associates that structure to the function recited in the claim. . . . The duty to link or associate structure in the specification with the function is the quid pro quo for the convenience of employing § 112, & 6.

Dawn Equipment Co. v. Kentucky Farms, Inc., 140 F.3d 1009 (Fed. Cir. 1998). We shall assume that it is legally proper to apply the doctrine of equivalents to a claim drafted in means-plus-function form. No equivalence where the accused device fails to solve the prior art problems identified in the patent. Judge Plager filed a separate opinion arguing

that no doctrine of equivalents infringement should be permitted for the Aequivalents≡ part of a Ameans plus function≡ clause (Aequivalent-of-an-equivalent≡ problem). Judge Newman filed a separate opinion supporting doctrine of equivalents infringement for § 112, sixth paragraph clauses. Judge Michel filed a separate opinion suggesting that § 112, sixth paragraph only allows infringement for those equivalents that are disclosed in the specification.

Mas-Hamilton Group v. LaGard, Inc., 156 F.3d 1206 (Fed. Cir. 1998). Because the claim term Aever moving element≡ recited no structure, it was to be construed in accordance with 35 U.S.C. § 112, & 6 and limited to the structures disclosed in the specification and their equivalents.

Unidynamics Corp. v. Automatic Prods. Int'l, Ltd., 157 F.3d 1311 (Fed. Cir. 1998). The phrase Aspring means tending to keep the door closed≡ is a means-plus-function clause; the term Aspring≡ is insufficient structure to take it out of § 112, & 6. Structure disclosed in the specification is only Acorresponding≡ structure to the claimed means if the structure is clearly linked by the specification or prosecution history to the function recited in the claim.

Personalized Media Communications, LLC v. International Trade Comm'n, 1998 WL 812996, No. 98-1160 (Nov. 24, 1998). The phrase Adigital detector for receiving said transmission≡ is not a means-plus-function clause, because the phrase does not use the term Ameans≡ and because the term Adetector≡ has a well known meaning to those of skill in the art.

5. DISCLOSED BUT UNCLAIMED STRUCTURE NOT ADEDICATED TO PUBLIC≡

YBM Magnex, Inc. v. International Trade Comm'n, 145 F.3d 1317 (Fed. Cir. 1998). Where a patent discloses but does not claim certain subject matter, the patentee is not precluded from asserting infringement of the unclaimed subject matter under the doctrine of equivalents. The court limited an earlier case, Maxwell v. J. Baker, Inc., 86 F.3d 1098 (Fed. Cir. 1996), in which a disclosed but unclaimed alternative embodiment was found to be Adedicated to the public,≡ to its specific facts.

C. ENFORCEMENT OF PATENTS

1. PRE-EMPTION OF STATE LAW & FEDERAL QUESTION JURISDICTION

Dow Chemical Co. v. Exxon Corp., 139 F.3d 1470 (Fed. Cir. 1998), cert. filed (Aug. 24, 1998). A state law claim for intentional interference with contractual relations based on inequitable conduct before the PTO is not preempted by the patent laws, because it contains additional elements not found in the federal patent law cause of action. A state court has the power to hear such a claim even though it requires that court to adjudicate a question of federal patent law.

Hunter Douglas, Inc. v. Harmonic Design, Inc., 153 F.3d 1318 (Fed. Cir. 1998). State law causes of action that include a substantial patent law issue create exclusive federal question jurisdiction (i.e., a state law cause of action that cannot be heard in a state court). A state law claim for injurious falsehood (defendant's public statements that it has exclusive patent rights) is a federal question that can only be heard in federal courts, but is preempted unless a plaintiff alleges bad faith in publicizing the patent. Harmonizes Dow Chemical because in that case the plaintiff alleged bad faith enforcement of a patent.

2. STATE IMMUNITY FROM PATENT INFRINGEMENT SUITS

Genentech, Inc. v. Regents of Univ. of Cal., 143 F.3d 1446 (Fed. Cir. 1998), cert. filed (Nov. 3, 1998). (Declaratory judgment action). A state can waive its immunity from suit by threatening infringement actions.

College Savings Bank v. Florida Prepaid, 148 F.3d 1343 (Fed. Cir. 1998), cert. filed (Sept. 28, 1998). Congress had the power under the Fourteenth Amendment to abrogate state immunity for patent infringement suits; states can now be sued for patent infringement. The Fifth Circuit, however, held that Congress could not abrogate state immunity from suit for copyright or trademark infringement. Chavez v. Arte Publico Press, 157 F.3d 282 (5th Cir. 1998).

3. STANDING TO SUE FOR INFRINGEMENT

Enzo Apa & Son, Inc. v. Geapag A.G., 134 F.3d 1090 (Fed. Cir. 1998). An exclusive licensee does not have standing to sue unless there is a written document executed before the suit is brought. Neither an alleged oral license nor a later-executed nunc pro tunc license can confer standing to sue.

4. PERSONAL JURISDICTION

Red Wing Shoe Co. v. Hockerson-Halberstadt, Inc., 148 F.3d 1355 (Fed. Cir. 1998). For the purposes of personal jurisdiction, conducting business with companies that themselves conduct business in a state is not the same as conducting business in the state. In this case, a declaratory judgment plaintiff failed to establish personal jurisdiction over a patentee who had 34 licensees in Minnesota and who sent three letters to the plaintiff in Minnesota charging patent infringement.

Graphic Controls Corp. v. Utah Med. Prods., Inc., 149 F.3d 1382 (Fed. Cir. 1998). The Federal Circuit applies its own law in evaluating the federal due process requirements of personal jurisdiction, but applies regional circuit law in interpreting state long-arm statutes. Here, the Second Circuit and New York courts have held that New York long-arm statutes do not extend to the full limits of federal due process. Applying New York long-arm statutes, the sending of cease-and-desist letters into New York is not transacting business and thus personal jurisdiction was not established.

Dainippon Screen Mfg. Co. v. CFMT, Inc., 142 F.3d 1266 (Fed. Cir. 1998). A Delaware holding company set up to hold title to patents for a parent corporation was subject to personal jurisdiction in California, where infringement threats were made by employees employed both by the parent corporation and the holding company, and where the holding company derived licensing revenue from California activities of the parent company.

3D Sys., Inc. v. Aarotech Labs., Inc., 1998 WL 789842 (No. 97-1514, Nov. 12, 1998). Where state law claims are joined with federal patent law claims, the Federal Circuit applies its own law to determine whether due process requirements are met to assert personal jurisdiction. Under Federal Circuit law, sending price quotation letters, even though clearly marked as not an offer, constituted an offer to sell and thus gave rise to personal jurisdiction in California. Maintaining a passive web site that can be viewed in California does not, however, establish personal jurisdiction there.

5. WALKER PROCESS FRAUD/ANTITRUST/MISUSE

Nobelpharma AB v. Implant Innovations, Inc., 141 F.3d 1059 (Fed. Cir. 1998)(partially in banc). In banc panel held that Federal Circuit (not regional circuit) law controls whether fraud before the PTO is sufficient enough to invoke antitrust liability. Walker Process fraud requires higher threshold showings of both intent and materiality than is required to show inequitable conduct. The merits panel upheld Walker Process liability of a patentee who brought an infringement suit over a knowingly unenforceable patent. Failure to cite

material prior art is just as culpable as affirmative misrepresentation before the PTO. There must be a clear intent to deceive the examiner and thereby cause the PTO to grant an invalid patent. The remaining elements of antitrust liability (relevant market, market power, damages, etc.) will continue to be determined under regional circuit law.

Virginia Panel Corp. v. Mac Panel Co., 133 F.3d 860 (Fed. Cir. 1997). A patentee's good-faith threats to customers to enforce a patent did not constitute patent misuse or antitrust violation; notifying others of infringement is reasonable within the patent grant. (December 1997).

6. LACHES & ESTOPPEL

Wanlass v. General Electric Co., 148 F.3d 1334 (Fed. Cir. 1998). A patentee who lacked actual knowledge of specific infringement was held guilty of laches under a constructive knowledge theory, where infringer's sales and marketing activities were open and notorious. Patentee must keep abreast of activities in the field, including a duty to test products to determine whether they infringed. (Rader dissent: unfair to require patentees to police the marketplace.) Compare Wanlass v. Fedders Corp., 145 F.3d 1461 (Fed. Cir. 1998) (reversed summary judgment on laches because material fact dispute regarding knowledge of infringement) (Mayer dissent: Wanlass knew that air conditioners are the type of product that uses infringing technology).

Scholle Corp. v. Blackhawk Molding Co., 133 F.3d 1469 (Fed. Cir. 1998). A patentee had a duty to speak up when an accused infringer presented his modified design to the patentee after being threatened with infringement. The patentee was equitably estopped from suing for infringement where the infringer told the patentee that he considered the modified design non-infringing unless the patentee advised him otherwise.

7. DECLINING TO RULE ON INVALIDITY/UNENFORCEABILITY CLAIMS

Phonometrics, Inc. v. Northern Telecom, Inc., 133 F.3d 1459 (Fed. Cir. 1998). A district court has discretion to dismiss counterclaims of invalidity and unenforceability where non-infringement is found. The Supreme Court's decision in Cardinal Chemical merely prohibits the Federal Circuit from vacating invalidity rulings on appeal, and does not require that the district court adjudicate invalidity and unenforceability counterclaims.

8. BONA FIDE PURCHASER RULE APPLIES TO PATENT LICENSES

Heidelberg Harris, Inc. v. Loebach, 145 F.3d 1454 (Fed. Cir. 1998). Where a licensee was a bona fide purchaser for value of license, and where the license vested before the inventor provided notice of his claim to the patent, the inventor's patent infringement claim was defeated by the license. The inventor was limited to equitable relief against his former employer for use of patent during license period.

9. CONTEMPT PROCEEDINGS

Additive Controls & Meas. Sys., Inc. v. Flowdata, Inc., 154 F.3d 1345 (Fed. Cir. 1998). Non-parties can be held in contempt for violating an injunction if they are legally identified with a party. Here, the president of a defunct corporation that was enjoined in a previous action was properly held in contempt of the injunction where he was legally identified with the prior corporation. The fact that he started a new company that produced infringing devices did not matter. The new company was also properly held in contempt as a successor to the defunct company.

10. MARKING

Nike, Inc. v. Wal-Mart Stores, Inc., 138 F.3d 1437 (Fed. Cir. 1998). Although the marking statute requires marking of the patent number as a prerequisite to recovering damages, that statute also precludes recovery of the infringer's profits where a design patent number is not marked.

11. UNENFORCEABILITY/INEQUITABLE CONDUCT

DH Technology, Inc. v. Synergystex Int'l, Inc., 154 F.3d 1333 (Fed. Cir. 1998). A patent should not be held unenforceable merely because the patentee improperly paid fees as a small entity; the regulations permit correction of small entity status at any time, as long as the small entity status was not fraudulently established.

Baxter v. McGaw, Inc., 149 F.3d 1321 (Fed. Cir. 1998). A divisional application is not tainted by inequitable conduct in a parent application when the withheld prior art was not material to the claims of the divisional application.

12. TRIAL PROCEDURE

ATD Corp. v. Lydall, Inc., 48 USPQ2d 1321, 1998 WL 690811 (Fed. Cir. 1998). A court-ordered discovery schedule overrides the minimum one-month period for providing notice of prior art under 35 U.S.C. § 282; a district court properly excluded prior art from trial because it was not provided before the end of discovery, even though provided one month prior to trial.