ORANGE COUNTY PATENT LAW ASSOCIATION

OCPLA Newsletter

VOLUME 16, ISSUE 2 MARCH 2010

SPECIAL POINTS OF INTEREST:

- March Meeting
- Federal Circuit Case Summaries
- Internet Sightings
- Program on Net Neutrality
- Hatch-Waxman Bootcamp
- Classifieds

March Meeting

Don't forget to register for this March's meeting on March 18, 2010 at the Sports Club/LA. Joe Tosto from the United States Department of Commerce will give an overview of the U.S. Export Administration Guidelines for dual use items. To register, go to OCPLA's website at www.ocpla.org. Help spread the word about OCPLA by encouraging your colleagues to attend.

OCPLA Board Meetings

Members who wish to present items for the Board's consideration should contact our president, Marlene Klein, at Marlene.Klein@cda.canon.com to have their items placed on the agenda, and to verify the time and location of the meeting.

Want to Become More Involved With OCPLA?

If you would like to become more involved with OCPLA, for example, do a presentation, submit an article, provide feedback or ask a question, please send an e-mail to **OCPLA_Board@ocpla.org**.

Federal Circuit Case Summaries

By Irfan Lateef

In *Seb S.A. v. Montgomery Ward & Co., Inc.*, Case Nos. 2009-1099, -1108 and -1119, the Federal Circuit affirmed the district court's finding that a showing of "deliberate indifference" as to the existence of a patent is sufficient to make out a claim of induced infringement.

Plaintiff SEB sued Pentalpha, among others, claiming infringement of its patent for a deep fryer with a well-insulated skirt. Following the close of evidence, Pentalpha moved for a JMOL on SEB's claim of induced infringement. Pentalpha

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claimed that because there was no evidence that anyone at Pentalpha had actual knowledge of SEB's patent, there could be no finding of inducement. While agreeing with Pentalpha regarding the lack of evidence supporting actual knowledge, the District Court nonetheless held that Pentalpha's failure to inform the attorney who conducted their "right-to-use" study that they had copied plaintiff's product was a fact sufficient for a jury to infer that Pentalpha knew they were violating an existing patent.

On appeal, the Federal Circuit affirmed the district court and held that "a claim for inducement is viable even where the patentee has not produced direct evidence that the accused infringer actually knew of the patent-in-suit." In *DSU Medical*, the Federal Circuit had previously held that inducement required a showing that the accused infringer "knew of the patent." In response to Pentalpha's reliance on this language, the Federal Circuit clarified that *DSU Medical* did not set forth the "metes-and bounds of the knowledge-of-the-patent requirement."

"A claim for inducement is viable even where the patentee has not produced direct evidence that the accused infringer actually knew of the patent-in-suit."

The Federal Circuit reasoned that "in most circumstances" the failure to inform counsel performing a right-to-use study of prior copying would be "highly suggestive of deliberate indifference," and such a showing would satisfy the knowledge requirement for a claim of inducement. However, the Federal Circuit was careful to note that here, as in *DSU Medical*, it was not "establish[ing] the outer limits of the type of knowledge needed for inducement."

In *Resqnet.com, Inc. v. Lansa, Inc.*, Case Nos. 2008-1365, -1366, and 2009-1030, the Federal Circuit affirmed the district court's determination of validity and infringement of the plaintiff's patent, vacated the damages award, and remanded for recalculation.

The accused infringer challenged the validity of the patent based on two user manuals, arguing that the user manuals were printed publications under 35 U.S.C. § 102(b). Although there was no evidence as to the source and public accessibility of the manuals, the accused infringer argued that the patent owner made the manuals public by submitting them in an IDS to the USPTO during a reexamination for a different patent. Affirming the district court's conclusion that the manuals were not publicly available, the Federal Circuit noted that the patent owner's mere IDS submission did not convert the manuals into printed publication art under § 102(b).

Reviewing the district court's finding of infringement for clear error, the Federal Circuit held that the lower court did not err in concluding that all of the limitations of the asserted claim were embodied in the accused product.

The district court awarded the patent owner over $500,000 in damages based on a 12.5% reasonable royalty rate. Under the first Georgia-Pacific

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factor (royalties received by the patentee from existing licenses), the patent owner derived the 12.5% royalty rate by using licenses with no relationship to the claimed invention. Rather, the licenses were for patents not involved in the suit and additional services that drove up the royalty rate. The Federal Circuit concluded that the district court erred by relying on unrelated licenses that increased the reasonable royalty rate above a value more clearly linked to the claimed technology.

In *Honeywell International, Inc. v. United States*, Case No. 2008-5181, the Federal Circuit reversed and remanded the judgment of the Court of Federal Claims that Honeywell's U.S. patent was invalid due to obviousness and lack of written description. The Federal Circuit also reversed the trial court's determination that Honeywell lacked standing and was precluded from recovering damages under the first sale doctrine.

The asserted patent allowed the use of night vision goggles in cockpits where red warning lights would otherwise overwhelm the goggles. In the claimed invention, a local color display in the cockpit emits blue, red, and green light. A filter at the display passes only a narrowband of red light from the display. Another filter at the goggle blocks the narrowband of red light, while passing all other ambient red light. Thus, the narrowband from the display does not reach and overwhelm the goggles' night vision sensor. Pilots can look under the goggles to view the warning lights, and crew members not wearing goggles can see the lights as well. The application from which the patent issued was subject to a secrecy order, which prevented the patent from issuing every year from 1985 to 2000. Honeywell amended the application before it finally issued.

The trial court construed "local color display" and "color band" to require "perceptible "red light."

The Court of Federal Claims found Claim 2 of the patent to be invalid for obviousness and for lack of written description support. Claim 2 required "a plurality of filters at the local color display including . . . a third filter for filtering the red color band of the local source of light and passing a narrowband of the red color band." The trial court construed "local color display" and "color band" to require "perceptible red light." In particular, the court explained, the claim required the "local color display" to emit visible light emitted within the wavelengths defined as red. Under that interpretation, the court determined that the claims would have been obvious over the prior art. With respect to written description, the trial court found that the claims encompassed a variety of displays but that the specification only disclosed cathode ray tubes (CRT). Thus, the court concluded that the patent did not fully describe the invention claimed.

The Federal Circuit reversed the trial court's decisions on invalidity. First, the Federal Circuit agreed that the claims required "perceptible red light," but interpreted that construction to mean visible light that is perceived as red. Because the combination of references did not teach a system that emits visible light that is perceived as red, the references did not render the claimed invention obvious under the Federal Circuit's construction. In his dissent-in-part, Judge Mayer argued that the claim would have been obvious because experts on both sides indicated that one skilled would have known how to adjust the light to increase perceptibility of red light. The Federal Circuit also determined that the trial court erred in holding the patent's claims invalid for lack of written description. The Federal Circuit held that this finding was clearly erroneous because the specification disclosed the use of CRTs and "other display transducers."

Net Neutrality: How Free Do We Want the Internet?

When: Monday, March 29, 2010 , 11:30 a.m. (Registration); 11:45 a.m. (Lunch); 12:00-1:15 p.m. (Panel)
Where: Chapman University School of Law
Cost: $30 for buffet lunch and 1 hour of MCLE; $15 for Judges and faculty; $10 for students.
Panel: Prof. Christopher Yoo (Univ. of Pennsylvania Law School), Mr. John Shaeffer, Esq. (Lathrop & Gage), and Prof. Larry Downes (Member, Stanford Law School Center for Internet and Society)
Moderator: Prof. Tom Bell (Chapman University Law School)

Panelists will debate the timely issue of whether and to what extent the Internet should be regulated regarding content, sites, platforms, network traffic, and modes of communication allowed. The Panel will discuss whether "net neutrality" provides First Amendment protections for the Internet or whether regulation will stifle investment, innovation, and the growth of the Internet. The panel will also explore whether net neutrality is a "fairness doctrine" for the Internet and what is the government's interest in regulating everyone's internet access, content, and resources.

To RSVP: http://ocfederalist.blogspot.com

Federal Circuit Case Summaries

With regard to the Invention Secrecy Act, 35 U.S.C. § 183, which provides "the owner of any patent issued upon an application that was subject to a secrecy order" the right to bring suit for just compensation, the Court of Federal Claims interpreted the statute to exclude patents which issue from applications that had been amended. Thus, the trial court concluded that Honeywell lacked standing to bring suit. The Federal Circuit determined this interpretation contradicted the plain language of the statute.

Lastly, Court of Federal Claims concluded that the first sale doctrine precluded Honeywell from recovering damages from the government. The Federal Circuit found that the first sale doctrine did not apply because Honeywell did not authorize the sale. Although Honeywell previously sold systems covered by the patent, at that time of the sale Honeywell did not have rights in the patent, so the sales were not authorized. Rather, at the time of sale a third party—with whom Honeywell later merged—owned the rights. Accordingly, the first sale doctrine did not preclude Honeywell from recovering damages from the government for use of infringing goggle systems. In the dissent-in-part, Judge Mayer argued that the first sale doctrine should apply because Honeywell received compensation for the sales by way of its merger partner.

In *In Re Chapman*, Case No. 2009-1270, the Federal Circuit vacated the finding by the Board of Patent Appeals and Interferences that claims were obvious, because the Board made erroneous findings of fact that

were not harmless error.

Plaintiff Chapman's application was directed to divalent antibody fragments. The Patent Office rejected Chapman's claims as anticipated by a patent to Gonzales, or in the alternative as obvious over Gonzales, or over Gonzales in view of a patent to Barbanti. On appeal, the Board reversed the anticipation rejection, but affirmed the legal conclusion that certain claims would have been obvious over Gonzales and that other claims would have been obvious over Gonzales in view of Barbanti. In doing so, the Board made several findings of fact.

Under the Administrative Procedure Act ("APA"), the Board's legal conclusions are reviewed without deference and its findings of fact are reviewed to determine if they are supported by substantial evidence.

At the outset, the Federal Circuit noted that the sole question on appeal was the accuracy of the Board's description of Gonzales, the primary reference. The Federal Circuit agreed that the Board's opinion included three erroneous findings of fact, and that two of them were not harmless error. The Federal Circuit noted that "to prevail the appellant must not only show the existence of error, but also show the error was in fact harmful because it affected the decision below," and further pointed out that the burden of this showing is on the party challenging the Board's decision. In characterizing the two errors, the Federal Circuit noted that if the Board based its decision on a misunderstanding of a reference, then its conclusions regarding obviousness are called into question. Further, if the Board did not appreciate the full scope of a disclosure, then the Federal Circuit cannot be confident about the Board's ultimate conclusion that the disclosure would have rendered claims obvious. Thus, the Board's errors were harmful.

In *Crocs, Inc. v. International Trade Commission*, Case No. 2008-1596, the Federal Circuit reversed the ITC's finding that a utility patent would have been obvious at the time of invention and that none of the interveners infringed a related design patent.

Crocs was the assignee of the two patents on foam "slip on" shoes. Crocs alleged unfair competition under 19 U.S.C. § 337 due to importation of products allegedly infringing the patents. The Federal Circuit reviewed the ITC's legal determinations without deference and its factual findings for substantial evidence.

On infringement of the design patent, Federal Circuit determined that the ITC placed undue emphasis on details of the written description that were in conflict with the drawings (uniform strap width and hole spacing), so that minor differences distracted from "examination of the design as a whole" and prevented a finding of infringement. The Federal Circuit's test is whether an "ordinary observer" is deceived into believing that the accused design is the same as the patented design because of "similarities in the overall design, not of . . . ornamental features in isolation." In side-by-side views, the shoes appeared nearly identical and an ordinary observer would believe they were the same. The accused design embodied overall effects of the claimed design, such as the convergence of lines where the strap is attached to the base and visual theme of rounded curves, in sufficient detail and clarity to cause market confusion. Therefore, the Federal Circuit determined the design patent to be infringed.

A patent-based § 337 action requires that a domestic industry "relating to the articles protected by the patent . . . exists or is in the process of being established." 19 U.S.C. § 337(a)(2). The technical prong "is essentially the same as that for infringement, i.e., a comparison of domestic products to the asserted claims." Under the ordinary observer test, the Federal Circuit compared the Crocs product side-by-side with the design patent and found them the same. Thus, the technical prong was satisfied.

As to obviousness, the utility patent included a feature not in the prior art, namely, a foam strap riveted to a foam base with direct contact. The prior art discouraged and taught away from foam straps because they would be uncomfortable and deform. The Federal Circuit reversed the ITC's finding that foam straps were known and merely "somewhat inferior," because a person of ordinary skill would actually consider it an "unsuitable material." Foam straps were also discovered to be more comfortable, yielding more than predictable results. Thus, the combination would not have been obvious.

The Court agreed with the ITC's finding of commercial success as a secondary consideration, but used it to bolster its finding of non-obviousness, while the ITC did not disturb its finding of obviousness. The court remanded the investigation for a determination of infringement of the utility patent.

In *Trading Technologies International, Inc. v. Espeed, Inc.*, Case Nos. 2008-1392, -1393, and -1422, the Federal Circuit affirmed the district court's holding that eSpeed infringed the asserted claims with one of its products, but not willfully.

Trading Technologies International (TT) was the assignee of two software patents for displaying the market for a commodity traded in an electronic exchange. eSpeed provides an electronic exchange for trading commodities. It also designs and sells trading platforms for use with its electronic exchange. In August 2004, TT sued eSpeed, alleging that eSpeed's trading platforms infringed its patents. Just before the hearing for preliminary injunction in December 2004, eSpeed pulled its platform off the market and replaced it with a redesigned product. After the district court found in the preliminary injunction proceeding that the redesigned product likely infringed TT's patents, eSpeed launched yet another redesigned product.

After the district court's claim construction order issued, eSpeed moved for summary judgment of non-infringement. The district court held that eSpeed's two redesigned products did not infringe. However, the jury found that the original product infringed the patents-in-suit and that eSpeed's infringement was willful, awarding TT $3.5 million in damages based on a reasonable royalty. After the jury trial, the district court granted eSpeed's motion for JMOL, vacating the jury's willfulness finding and remitting damages by about $1 million.

On appeal, TT claimed that the district court incorrectly granted eSpeed's JMOL motion on willful infringement. In affirming the district court's finding on willfulness, the Federal Circuit noted that in *In re Seagate* the Federal Circuit held that proof of willful infringement requires at least a showing of objective recklessness. The Federal Circuit found that although existing customers may have continued to use the product during the three month product redesign period, TT failed to show that this product was sold to new customers during this period or that eSpeed could have disabled the infringing feature or replaced the product sooner. Regarding TT's evidence that eSpeed received monthly licensing fees after commencement of trial, the Federal Circuit noted that eSpeed was merely receiving monthly installments on previously sold licenses and that eSpeed could not have terminated these licenses without providing three months notice.

Hatch-Waxman Bootcamp for OCPLA Members

A primer on IP basics and regulatory fundamentals relative to small molecules and biologics for brand names, generics, and biopharmas.

When: May 24-25, 2010
Where: The Hilton San Diego Resort & Spa
Cost: OCPLA Members are entitled to a $400 discount off the regular registration price. Enter "OCPLA" when registering.
Registering: http://www.americanconference.com/HWBootCamp.htm

Internet Sightings

By Jim Hawes

This column highlights some of the more notable recent internet notices, newsletters and blogs dealing with IP prosecution issues. The full IS column is also available at internetsightings.blogspot.com.

Hal Wegner's newsletter – a lot of great stuff – Contact: hwegner@foley.com

Hal's top ten list of cases on appeal is now available at GrayonClaims.com/hal. Check it out.

The 2/3/10 newsletter reports that the PTO has refused a fax filing because it was received upside down. One commentator described this as a "recto-cranial inversion" by someone at the PTO.

The 2/19/10 email reports that the PTO now has a Chief Economist, which Hal applauds.

The 2/21/10 message reports that China received 977,000 new patent applications in 2009, well more than any other country. They were split about 3:1, domestic to foreign applicants.

The 2/24/10 email reports the Croc design patent CAFC decision in which the Court stressed the importance of the shown design and downplayed any accompanying verbal description.

The 2/26/10 message reports that chances for Patent Reform Legislation this year have improved considerably.

Patently-O – a blog written by Dennis Crouch – www.patentlyo.com.

The 2/3/10 blog reports that the PTO projects a 15% fee increase for the FY2011 budget to reduce pendency and backlog. Again.

The 2/5/10 email reports the Outside the Box CAFC decision in which a firm atty. filed an expert declaration for the winner at trial, then the firm sought to represent the loser on appeal, which the Court quashed.

The 2/8/10 message gives data showing that the PTO's budget shortfall is due to declining maintenance fee payments.

The 2/9/10 email presents data showing patent examiner experience levels for the various Tech Groups at the PTO. It's a surprise.

The 2/11/10 blog includes a thorough paper by Reines and Greenblatt titled "Interlocutory Appeals of Claim Construction."

The 2/17/10 email considers appeals from the BPAI of an ex parte reexamination decision and concludes that it is only to the CAFC.

The 2/19/10 message reports an empirical study of the importance of the written description requirement, concluding that it is not important. It also reports an alarming increase in the BPAI backlog.

IPFrontline – an IP magazine – ipfrontline.com

The 2/10 issue highlights Abbott Labs v. Sandoz, 566 F.3d 1282 (CAFC en banc '09) holding that a product by process claim is only infringed by another making the product by the claimed process.

TTABlog – a blog written by John Welch – www.TTABlog.com

The 2/2/10 blog reports the In re Nielsen Business Media TTAB decision of 1/28/10 holding that 2f tacking of Bollywood Reporter rights to Hollywood Reporter rights was not proper for the two are not equivalent.

The 2/3/10 blog discusses curing fraud holdings of many recent TTAB cases, most finding that the fraud was not cured.

The 2/11/10 email references 3 papers covering the Board's Accelerated Case Resolution option.

The 2/17/10 case discusses policing efforts of the applicant Murad which warranted TTAB reversal of a mere descriptiveness rejection.

The 2/19/10 email reports that Swedish Luxury and Swedish Sleep System, both for mattresses, are confusing similar to the Board. However, the 2/23 email reports that Capital City Bank and Citibank for banking services are not confusingly similar to the Board.

AIPLA Direct – a newsletter issued from time to time - aipla.org/Content/ContentGroups

Another AIPLA trademark boot camp will be offered in June 2010 in Alexandria, VA.

Copyright Society of the USA – periodic emails to members – www.csusa.org

The Society will co-sponsor with the Berkeley Center for Law and Tech a conference on 4/9-10/10 to explore the future of copyright law.

PTO notices – www.uspto.gov/main/newsandnotices

The PTO has posted a notice that it was officially closed on Monday 2/8 through Thursday 2/11. Any action due on 2/6-10 is timely if done on 2/12.

The BPAI will hold its first annual day-long Board conference on 4/7/10 in Alexandra. VA.

One of the just announced goals of the PTO is a 20 month total patent application pendency by 2014. Hal, in his 2/25/10 email, notes that PCT cases don't begin being active in the US until after a 20 month plus pendency. Hmmm.

WIPO – The international IP group in Geneva – www.wipo.int

EPO fees increase April 1, 2010.

Other Stuff –

The PTO seeks to hire experienced patent practitioners as examiners. Interested?

If you'd like to see what the current PTO exam looks like, check out patentbarexam.wordpress.com/2010.

A unique CLE / patent moot court event will occur at the Waldorf-Astoria on 3/26/10. For more info access nyipla.org.

For more information about any of the patent topics mentioned consult *Patent Application Practice.* Trademark topics are discussed in *Trademark Registration Practice.* Both are published by West and updated twice a year.

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OCPLA NEWSLETTER
Orange County Patent Law Association

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The OCPLA reserves the right to determine which, if any, submitted articles will appear in this Newsletter.

We hope that the Newsletter is helpful, informative, entertaining and interesting. Comments, ideas, announcements, proposed articles, suggestions and any other communications concerning the content, form or other aspect of this newsletter may be directed to:

OCPLA Newsletter Editor
Alyson Barker (barkera@howrey.com)

Services & Announcements

SEEKING POSITION OR SERVICES WANTED:

Registered Patent Attorney, Recent Master's in Computer Science, Litigation experience of 2 years including IP litigation, Korean language ability, Born and Raised in Orange County.
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Please e-mail me at david@davidchoi.com.

SUBLEASE OFFICE SPACE IN CLASS A TOWERS IN IRVINE

$900.00 per month
1-5 offices and secretarial bays
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Close to airport
3 conference rooms available
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Help Wanted

Patent Attorney/Patent Agent

Klein, O'Neill & Singh, LLP is a cutting edge Intellectual Property law firm with offices in Irvine and San Jose, CA. Our mission is to provide top-quality service for our clients, and our employees share that vision. Klein, O'Neill & Singh offers a collegial and creative work environment, with excellent compensation and benefits.

Our Irvine Office has an opening for a Patent Attorney or Patent Agent with an electronics background to join our growing practice. The ideal candidate will have a Bachelor's degree in Electrical Engineering, Computer Science, or Physics; 1-5 years of patent prosecution experience (including experience in electronics); and excellent written and oral communication skills. As a boutique firm, we can customize a package for the right candidate. Please submit resume, transcripts, writing sample, and references for consideration to: info@koslaw.com. For more information about our firm, please visit our website: www.koslaw.com.

FITCH EVEN, TABIN & FLANNERY, a national Intellectual Property law firm, is expanding its Woodland Hills office. FETF also has offices in Chicago, San Diego, San Luis Obispo, Washington, D.C., and Boulder. We are seeking partners and associates who have established client relationships. FETF will consider merger opportunities.
To learn more about the firm and our practice, please visit us at: http://www.fitcheven.com

All submissions are held in confidence. For confidential discussion and consideration, please contact:

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If you would like to place an announcement or a help wanted advertisement in the OCPLA newsletter, please contact Alyson Barker at BarkerA@howrey.com.