

January 2005

## Intellectual Property Law

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### Recommended Citation

Phillip B. Philibin & Carmen E. Griffin, *Intellectual Property Law*, 58 SMU L. REV. 985 (2005)  
<https://scholar.smu.edu/smulr/vol58/iss3/20>

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# INTELLECTUAL PROPERTY LAW

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## I. INTRODUCTION

**T**HIS article provides an update of certain significant developments in the area of intellectual property law during the Survey period.<sup>1</sup> The article considers only those decisions that are precedential in Texas. Thus, the cases cited will be limited to decisions of the United States Courts of Appeals for the Fifth and Federal Circuits. For developments in trademark and copyright law, the Fifth Circuit's authority is binding. However, because all cases concerning a substantive issue of patent law are appealed to the United States Court of Appeals for the Federal Circuit decisions from the Federal Circuit during the Survey pe-

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1. The views expressed in this article are the views of the individual authors, and not those of Haynes and Boone, LLP or any of its clients.

riod are also included in this article.<sup>2</sup>

Of particular interest to the patent practitioner during this Survey period are two Federal Circuit opinions that could significantly impact patent litigation in the future—one invites amicus briefing on the most fundamental principles of the court's claim construction jurisprudence, and the other considers the evidentiary impact of an alleged patent infringer's failure to obtain or produce a non-infringement opinion. This article will also consider significant developments in the areas of copyright and trademark infringement from the Fifth Circuit.

## II. PATENT UPDATE

The United States Court of Appeals for the Federal Circuit—an appellate court created by Congress to promote uniformity in patent law—issued 125 opinions in patent cases during the Survey period.<sup>3</sup> The appeals that it hears most often come from United States District courts from every United States jurisdiction. Each of its opinions, however, are binding authority for patent cases tried in any of the federal districts in Texas. The Federal Circuit made significant additions and refinements to its precedent during the Survey period. These changes came in the areas of claim construction; the doctrine of equivalents; validity under 35 U.S.C. §§ 102 and 103; the enablement, written description, and best mode requirements of 35 U.S.C. § 112; inequitable conduct; and in the evidentiary presumptions associated with an alleged infringer's decision whether to waive the attorney-client privilege by producing a non-infringement opinion by patent counsel. The court's opinions in each of these areas will be discussed in turn.

### A. THE FEDERAL CIRCUIT'S MOST SIGNIFICANT DEVELOPMENTS DURING THE SURVEY PERIOD: *PHILLIPS* AND *KNORR*

#### 1. *Phillips v. AWH Corp.*<sup>4</sup>

By far the most significant development in the area of patent litigation during the Survey period—and perhaps the past decade—occurred in the area of claim construction. Claim construction is the process by which the district court judge construes the meanings of the terms of the patent claims that are in dispute. Since the United States Supreme Court's decision in *Markman v. Westview Instruments, Inc.* in 1996, in which the Supreme Court affirmed the Federal Circuit's holding that claim construction is a matter of law for the district judge, the Federal Circuit has established a number of fundamental principles of claim construction

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2. 28 U.S.C. § 1291 (2000); *see also* Deprenyl Animal Health, Inc. v. Univ. of Toronto Innovations Found., 297 F.3d 1343, 1348-49 (Fed. Cir. 2002).

3. Although the Federal Circuit also hears veterans appeals, international tax appeals, and various other appeals in specialized areas, a list of the Federal Circuit's patent opinions from the Survey period can be obtained from BNA's Intellectual Property Library, available at [www.bna.com](http://www.bna.com).

4. 376 F.3d 1382 (Fed. Cir. 2004).

for the district court to follow.<sup>5</sup> Nevertheless, since more than half of district courts that hear patent cases are reversed on claim construction, there is a great deal of uncertainty and risk in patent litigation.<sup>6</sup> Accordingly, on July 21, 2004, the Federal Circuit issued an *en banc* rehearing order in *Phillips v. AWH Corp.*, in which it requested briefing from the parties and from certain amici regarding fundamental issues of claim construction.<sup>7</sup>

In its rehearing order, the Federal Circuit requested briefing and agreed to hear oral argument on the following seven questions:

1. Is the public notice function of patent claims better served by referencing primarily to technical and general purpose dictionaries and similar sources to interpret a claim term or by looking primarily to the patentee's use of the term in the specification? If both sources are to be consulted, in what order?
2. If dictionaries should serve as the primary source for claim interpretation, should the specification limit the full scope of claim language (as defined by the dictionaries) only when the patentee has acted as his own lexicographer or when the specification reflects a clear disclaimer of claim scope? If so, what language in the specification will satisfy those conditions? What use should be made of general as opposed to technical dictionaries? How does the concept of ordinary meaning apply if there are multiple dictionary definitions of the same term? If the dictionary provides multiple potentially applicable definitions for a term, is it appropriate to look to the specification to determine what definition or definitions should apply?
3. If the primary source for claim construction should be the specification, what use should be made of dictionaries? Should the range of the ordinary meaning of claim language be limited to the scope of the invention disclosed in the specification, for example, when only a single embodiment is disclosed and no other indications of breadth are disclosed?
4. Instead of viewing the claim construction methodologies in the majority and dissent of the now-vacated panel decision as alternative, conflicting approaches, should the two approaches be treated as complementary methodologies such that there is a dual restriction on claim scope, and a patentee must satisfy both limiting methodologies in order to establish the claim coverage it seeks?
5. When, if ever, should claim language be narrowly construed for the sole purpose of avoiding invalidity under, e.g., 35 U.S.C. §§ 102, 103 and 112?
6. What role should prosecution history and expert testimony by one of ordinary skill in the art play in determining the meaning of the disputed claim terms?

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5. *Markman v. Westview Instruments, Inc.*, 517 U.S. 370, 372 (1996).

6. Allison C. Collard & Edward J. Callaghan, *Federal Circuit to Clarify Rules on Use of Dictionaries in Construing Patent Claims*, available at <http://www.collardroe.com/Article1.htm> (last modified May 14, 2004).

7. *Phillips*, 376 F.3d at 1382-83.

7. Consistent with the Supreme Court's decision in *Markman v. Westview Instruments, Inc.* . . . and our en banc decision in *Cybor Corp. v. FAS Technologies, Inc.* . . . , is it appropriate for this court to accord any deference to any aspect of trial court claim construction rulings? If so, on what aspects, in what circumstances, and to what extent?<sup>8</sup>

In light of the breadth of fundamental claim construction tenets on which the Federal Circuit will hear argument, it is clear that *Phillips* is potentially the single most important Federal Circuit reconsideration of a fundamental set of questions of patent law since its ruling in *Hilton Davis Chem. Co. v. Warner-Jenkinson Co.*, which re-considered the manner in which the doctrine of equivalents would be applied to individual elements of patent claims.<sup>9</sup> The Federal Circuit received briefs in *Phillips* on September 20, 2004, and heard oral arguments on February 8, 2005. Because a decision cannot be expected in this case until at least the second half of 2005, there will be no immediate impact on the conduct of patent trials. What impact *Phillips* will have on the court's appellate review of those trials, however, is an open question at this point.

2. *Knorr-Bremse Systeme Fuer Nutzfahrzeuge GmbH v. Dana Corp.*<sup>10</sup>

The Federal Circuit's other landmark decision during the Survey period came in the area of willful infringement. Specifically, the court considered the evidentiary impact of an accused infringer's failure to obtain a non-infringement opinion, or of refusing to waive the attorney-client privilege with respect to an opinion that it obtained.

The much-anticipated *en banc* opinion in *Knorr-Bremse* is bound to have a substantial impact on the conduct of patent litigation in the future, as it overrules the Federal Circuit's long-standing precedent with respect to the evidentiary presumption that corresponds to a patent infringement defendant's failure to obtain or to enter into evidence a non-infringement opinion of patent counsel.<sup>11</sup> Specifically, the court held that no adverse inference may be drawn with regard to willful infringement when the defendant: (1) invokes the attorney-client privilege or work-product doctrine to withhold an opinion of counsel regarding infringement; or (2) states that no legal advice was obtained.<sup>12</sup> Rather, the Federal Circuit emphasized that willful infringement is to be determined based on a "totality of the circumstances" test, and that the existence of a substantial

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8. *Id.* at 1383 (internal citations omitted).

9. *Hilton Davis Chem. Co. v. Warner-Jenkinson Co.*, 114 F.3d 1161 (Fed. Cir. 1997). The authors are not over-looking the significant impact of *Festo IX* and its progeny, which altered the face of the doctrine of equivalents and its application by setting forth a presumption of prosecution history estoppel, and detailing a three-pronged test for avoiding what has since been labeled "the *Festo* presumption." *Festo Corp. v. Shoketsu Kinzoku Kogyo Kabushiki Co.*, 344 F.3d 1359 (Fed. Cir. 2003).

10. 383 F.3d 1337 (Fed. Cir. 2004).

11. *Id.*

12. *Id.* at 1344-45.

defense on the merits to infringement, while not automatically sufficient to defeat an allegation of willful infringement, is to be considered among the other factors and circumstances.<sup>13</sup>

Since the Federal Circuit has prohibited the drawing of an adverse inference, those accused of patent infringement will now have a meaningful choice as to whether to produce an opinion of patent counsel that was obtained prior to the initiation of suit, or whether to maintain the opinion as privileged. What remains to be seen, however, is whether the adverse inference, now disallowed from an evidentiary standpoint, will nevertheless be applied by judges and jurors as a matter of common sense or cynicism.

## B. CLAIM CONSTRUCTION

While the Federal Circuit's rehearing order in *Phillips*, (discussed above) may alter the face of the Federal Circuit's claim construction jurisprudence, the court refined its claim construction precedent in several other notable opinions during the Survey period. In *Goldenberg v. Cytogen, Inc.*,<sup>14</sup> the Federal Circuit held that patents having a familial relationship may be included as intrinsic evidence for claim construction purposes.<sup>15</sup> The court cautioned, however, that the intrinsic evidence does not include the contents and prosecution history of patent applications having no formal relationship to the patent in question.<sup>16</sup> Milton Goldenberg and Immunomedics sued Cytogen, Inc. and C.R. Bard for infringement of a patent claiming methods for locating tumor cells. The patent-in-suit was the result of a continuation application. During prosecution of the parent of the patent-in-suit, the applicant overcame a double-patenting rejection based on an unrelated application by making an argument related to the "intracellular tumor associated antigens" claimed in the patent-in-suit, and distinguishing those from the "cell surface" antigens claimed in the unrelated application. Immunomedics subsequently filed a continuation-in-part application from that unrelated application.<sup>17</sup>

In construing the claims of the patent-in-suit, the district court treated the unrelated application and its continuation-in-part application as part of the intrinsic record of the patent-in-suit.<sup>18</sup> The district court granted summary judgment of no literal infringement.<sup>19</sup> Although the Federal Circuit affirmed the grant of summary judgment, it found that the district court's errors in considering the contents and prosecution history of the unrelated application and its continuation-in-part application during con-

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13. *Id.* at 1347.

14. 373 F.3d 1158 (Fed. Cir. 2004).

15. *Id.* at 1164-66.

16. *Id.* at 1167-68.

17. *Id.* at 1162-63.

18. *Id.*

19. *Id.*

struction of patent-in-suit's claims was harmless error.<sup>20</sup> Thus, although they were in fact part of the intrinsic record of the patent-in-suit because of the distinguishing argument made by the applicant during prosecution of the patent-in-suit, the lack of a formal relationship between the patent-in-suit and the unrelated application and its continuation-in-part application ("CIP") made the district court's reliance on the contents and prosecution history of the latter during claim construction erroneous.<sup>21</sup> The Federal Circuit summarized the district court's error as follows:

The district court made no error to the extent that it referenced the contents of the '262 application as it existed when *Goldenberg* distinguished the '262 application from the '261 application . . . . This response constitutes part of the prosecution history of the '261 application, which is a parent application to the [patent-in-suit], and therefore part of the [patent-in-suit's] prosecution history . . . . The district court did err in the second segment of its analysis, however, when it relied on the specification of the '744 patent to construe the claims. The relevant passages from the '744 patent . . . were added during continuation-in-part of the '262 application. These passages are therefore new matter added to the content of the '262 application subsequent to when it was distinguished [during prosecution of the patent-in-suit.]"<sup>22</sup>

The court summarized its holding by cautioning that:

in the absence of an incorporation into the intrinsic evidence, this court's precedent takes a narrow view of when a related patent or its prosecution history is available to construe the claims of a patent at issue and draws a distinct line between patents that have a familial relationship and those that do not.<sup>23</sup>

In *Intirtool Ltd. v. Texar Corp.*, the Federal Circuit refined its precedent with respect to the effect of the language of a claim preamble during claim construction.<sup>24</sup> The court held that where there is no clear reliance during prosecution on a claim preamble to distinguish the claimed invention from the prior art, and where the invention is described in complete structural detail in the body of the claim, the claim preamble is not limiting.<sup>25</sup> *Intirtool* argued that the district court's invalidity finding was based on an incorrect understanding of "the claimed invention."<sup>26</sup> *Spe-*

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20. *Id.* at 1168.

21. *Id.* at 1167. It is important to note that the Federal Circuit afforded the CIP and the new application the same treatment in this case, at least for purposes of its claim construction analysis, only because the court relied on the fact that both the new application and the CIP contained new matter. A continuation application would have been based on the same specification as the patent-in-suit and would have been treated differently than a new application because the former has a formal, familial relationship with the patent-in-suit; it is the introduction of new matter into the specification of the CIP in this case that drove the Federal Circuit's analysis.

22. *Id.*

23. *Id.*

24. *Intirtool Ltd. v. Texas Corp.*, 369 F.3d 1289 (Fed. Cir. 2004).

25. *Id.* at 1295.

26. *Id.* at 1294.

cifically, Intirtool maintained that the district court erred in construing the preamble of claim one of the patent-in-suit as a claim limitation.<sup>27</sup> The preamble read “[a] hand-held punch pliers for simultaneously punching and connecting overlapping sheet metal such as at the corners of overlapping ceiling tile grids.”<sup>28</sup> The term “connecting” appeared only in the claim preamble, and Intirtool argued that it was included only to demonstrate an intended purpose of the tool.<sup>29</sup> Texar, on the other hand, pointed to references in the specification and the prosecution history where the words “connecting” and “connects” were used to describe the invention, arguing that the preamble should be limiting because Intirtool clearly relied on it during prosecution to distinguish the claimed invention from the prior art.<sup>30</sup>

The Federal Circuit disagreed, reciting its general precedent to the effect that “in general, a claim preamble is limiting if ‘it recites essential structure or steps, or if it is necessary to give ‘life, meaning, and vitality’ to the claim.’”<sup>31</sup> “However, if the body of the claim ‘describes a structurally complete invention such that deletion of the preamble phrase does not affect the structure or steps of the claimed invention,’ the preamble is generally not limiting ‘unless there is clear reliance on the preamble during prosecution to distinguish the claimed invention from the prior art.’”<sup>32</sup> Finding in the case at bar that the claimed tool was described in claim one in complete and exacting structural detail “including precise parameters of the cut that the face of the tool makes in sheet metal,” and further noting that the preamble of claim one did not recite any additional structure or steps underscored as important by the specification, the Federal Circuit held that the district court committed reversible error by using the claim preamble to limit claim one.<sup>33</sup>

In *Liebel-Flarsheim Co. v. Medrad, Inc.* the Federal Circuit considered the situation where the written description is narrow, while the claim language is broad.<sup>34</sup> The court found that, although every embodiment described in the specification of the patent-in-suit included a particular limitation, the limitations should not be imported into the claims unless the patentee demonstrated a clear intention to limit the scope of the claim.<sup>35</sup> Liebel-Flarsheim Company sued Medrad, Inc. based on Medrad’s alleged infringement of four U.S. patents relating to powered injectors and syringes used to inject patients during medical procedures.<sup>36</sup>

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27. *Id.*

28. *Id.*

29. *Id.*

30. *Id.* at 1295.

31. *Id.* (quoting *Pitney Bowes, Inc. v. Hewlett-Packard Co.*, 182 F.3d 1298, 1305 (Fed. Cir. 1999)).

32. *Id.* (quoting *Catalina Mktg., Int’l v. Coolsavings.com, Inc.*, 289 F.3d 801, 809 (Fed. Cir. 2002)).

33. *Id.* at 1296.

34. *Liebel-Flarsheim Co. v. Medrad, Inc.*, 358 F.3d 898 (Fed. Cir. 2004).

35. *Id.* at 903.

36. *Id.* at 900.



In construing the claims of the four patents, the district court imported limitations from the specifications of each patent.<sup>37</sup> Because the devices in question did not contain the imported limitations, the district court granted Medrad's motion for summary judgment of non-infringement.<sup>38</sup>

The Federal Circuit held that, although every embodiment described in the patents included the limitation of pressure jackets around syringes used in the powered injectors, the specifications did not describe the inventions as limited to those embodiments.<sup>39</sup> Moreover, the prosecution histories of two patents squarely contradicted the notion that the patentee claimed only those powered injectors that included pressure jackets around the syringes.<sup>40</sup> Thus, the court rejected Medrad's contention that "when the subject matter claimed in the patent-in-suit is the only subject matter described . . . that subject matter is the invention, and not simply a 'preferred embodiment' of a broader invention."<sup>41</sup> To the contrary, the Federal Circuit made clear that "even when the specification describes only a single embodiment, the claims of the patent will not be read restrictively unless the patentee has demonstrated a clear intention to limit the claim scope using 'words or expressions of manifest exclusion or restriction.'"<sup>42</sup>

The Federal Circuit clarified its precedent with respect to the role of a patent's specification in claim construction in *Combined Sys. Inc. v. Defense Tech. Corp. of America*; the court cautioned that the district court in that case "may have read some isolated statements in certain recent opinions too rigidly and in isolation from our entire body of our claim construction jurisprudence."<sup>43</sup> The Federal Circuit affirmed the district court's claim construction because it found that all the intrinsic evidence was consistent with that construction, and the court emphasized that its cases do not allow a district court to consult a patent's specification "solely for the limited purpose of determining whether it contradicts the dictionary meaning of a claim term."<sup>44</sup> Rather, "the written description must be examined in every case, because it is relevant not only to aid in the claim construction analysis, but also to determine if the presumption of ordinary and customary meaning is rebutted."<sup>45</sup>

Finally, in *Sulzer Textil A.G. v. Picanol N.V.*, the Federal Circuit held that when claim construction rulings are issued prior to trial, the district court is required to instruct the jury on the court's claim construction

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37. *Id.* at 901.

38. *Id.* at 900.

39. *Id.*

40. *Id.* at 909.

41. *Id.* at 905-06.

42. *Id.* (quoting *Teleflex, Inc. v. Ficosa N. Am. Corp.*, 299 F.3d 1313, 1327 (Fed. Cir. 2002)).

43. *Combined Sys., Inc. v. Def. Tech. Corp. of Am.*, 350 F.3d 1207, 1215 (Fed. Cir. 2003).

44. *Id.* at 1215-16.

45. *Id.* at 1216 (quoting *Brookhill-Wilk 1, LLC v. Intuitive Surgical, Inc.*, 334 F.3d 1294, 1298 (Fed. Cir. 2003)).

rulings as to all disputed claim terms and instruct the jury to adopt and apply the court's construction of those disputed terms during its deliberations.<sup>46</sup> Sulzer Textil filed suit against its competitor weaving machine manufacturer Picanol N.V. for infringement of two of its patents on air-jet weaving technology, and Sulzer Textile moved for a new trial on the basis that the district court erred by failing to instruct the jury on its claim construction, which it adopted from a Special Master's recommendations.<sup>47</sup> The Federal Circuit affirmed the district court's denial of a new trial because the instructions, though erroneous, were not prejudicial because the parties had followed the court's claim construction throughout trial.<sup>48</sup> Nevertheless, the court emphasized that:

the meaning and scope of patent claim terms, as determined by a district court's claim construction rulings, are legal issues central to most patent cases. Thus, the district court normally will need to provide the jury in a patent case with instructions adequate to ensure that the jury fully understands the court's claim construction rulings and what the patentee covered by the claims.<sup>49</sup>

#### C. OBVIOUSNESS/ANTICIPATION/ON-SALE AND PUBLIC USE BARS

In addition to claim construction, the Federal Circuit was active in the area of patent validity during the Survey period, particularly on the issues of anticipation and the on-sale and public use bars of 35 U.S.C. § 102, and obviousness under 35 U.S.C. § 103.

Applying the on-sale bar of 35 U.S.C. § 102(b), the Federal Circuit held in *Elan Corp. PLC v. Andrx Pharms., Inc.* that the "offers for sale" of the claimed invention were not invalidating offers by the plaintiff to sell its patented invention more than one year prior to filing its patent application, but rather were simply offers to enter into a license agreement under the patent if and when it was developed, thus establishing that such negotiations by the patentee prior to applying for a patent on his invention will not create an on-sale bar to issuance of the patent.<sup>50</sup> Elan, the owner of a patent directed to a controlled-release formulation of naproxen sodium, an anti-inflammatory drug, wrote letters to various laboratories offering to license rights to what would later become the patent-in-suit. When Elan sued Andrx Pharmaceuticals in 1998 because Andrx sought approval from the Food and Drug Administration to market its own once-daily naproxen formulation, Andrx asserted the on-sale bar as a defense, based on the letters that Elan had sent in 1987—four years before applying for the patent-in-suit in 1991.<sup>51</sup>

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46. *Sulzer Textil A.G. v. Picanol N.V.*, 358 F.3d 1356, 1366 (Fed. Cir. 2004).

47. *Id.* at 1360-62.

48. *Id.* at 1367.

49. *Id.* at 1366.

50. *Elan Corp. v. Andrx Pharms., Inc.*, 366 F.3d 1336, 1341 (Fed. Cir. 2004).

51. *Id.* at 1338-39.

Although the district court agreed with Andrx's assertion of the on-sale bar, the Federal Circuit reversed because for the on-sale bar to apply, the product must (1) be the subject of a commercial offer for sale, and (2) be ready for patenting.<sup>52</sup> The court's holding that a license, which is nothing more than a sale of rights in the patent, is distinct from a sale of the invention itself was critical to the reversal. Because Elan offered nothing more than a license in its letters to the various laboratories, it had not offered to sell the patented invention, and therefore, the on-sale bar of § 102(b) was not implicated.<sup>53</sup>

The Federal Circuit considered another bar to patentability contained in 35 U.S.C. § 102(b)—the public use bar—in *Smithkline Beecham Corp. v. Apotex Corp.*<sup>54</sup> Smithkline sued Apotex for infringement of its patent directed to the active ingredient of the drug Paxil; the Federal Circuit reversed the district court's finding of validity and held that the patentee's clinical trials of the drug were not directed to the claimed features of the compound and, therefore, were not an experimental use under § 102(b).<sup>55</sup> "The court clarified that the experimental use doctrine is not an 'exception' to the public use bar because it does not shift the burden of proof from the accused infringer to the patentee. Rather it operates to negate application of the public use bar."<sup>56</sup> In other words, the ultimate burden of showing that the non-experimental use was public remains on the patent challenger.<sup>57</sup>

With these standards and burdens in mind, the Federal Circuit determined that Apotex had sustained its burden of demonstrating applicability of the public use bar because SmithKline was testing the claimed as an antidepressant, yet the antidepressant properties of the compound were not part of the claimed invention.<sup>58</sup> "Testing or experimentation performed with respect to non-claimed features of the device does not show that the invention was the subject of experimentation."<sup>59</sup> Accordingly, the Federal Circuit found Smithkline's patent invalid by operation of the public use bar.<sup>60</sup>

On the issue of anticipation under 35 U.S.C. § 102, the Federal Circuit held in *Elan Pharms. v. Mayo Found.* that in order for a prior art reference to serve as an anticipating reference, it must teach one of ordinary skill in the art to make or carry out the claimed invention without undue

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52. *Id.* at 1340.

53. *Id.* at 1341. For example, one of the letters that Elan sent to a pharmaceutical laboratory stated, "with regard to naproxen, I would like to confirm to you our licensing and development plans for our once daily tablet aimed at a launch in the U.S.A. by the patent expiry date." *Id.* at 1337.

54. 365 F.3d 1306 (Fed. Cir. 2004).

55. *Id.* at 1320.

56. *Id.* at 1317.

57. *Id.*

58. *Id.* at 1318.

59. *Id.* (quoting *W. Marine Elecs., Inc. v. Furno Elec. Co.*, 764 F.2d 840, 847 (Fed. Cir. 1985)).

60. *Id.* at 1320.

experimentation.<sup>61</sup> The district court granted summary judgment of patent invalidity based on anticipation, but the Federal Circuit reversed, and found that the district court did not address the issue of whether the allegedly anticipating reference was sufficiently enabling to permit one of ordinary skill in the art to make the claimed invention without undue experimentation.<sup>62</sup> With respect to the amount of required experimentation that would render an anticipatory reference non-enabling, the court stated that “the test is not merely quantitative, since a considerable amount of experimentation is permissible, if it is merely routine, or if the specification in question provides a reasonable amount of guidance with respect to the direction in which the experimentation should proceed.”<sup>63</sup> The Federal Circuit considered Elan’s argument that the alleged anticipatory reference did not enable the transgenic animal it described because, although that reference “foresaw a transgenic mouse and presented a compilation of known methods of gene transfer, the reference does not teach or suggest which method might succeed in creating the desired mutated mouse.”<sup>64</sup> The court remanded to allow the district court to determine whether the allegedly anticipating reference enabled persons of ordinary skill in the field of the invention to make the desired mutated mouse without undue experimentation.<sup>65</sup>

Finally, with respect to obviousness under 35 U.S.C. § 103, the Federal Circuit held in *Knoll Pharm. Co. v. Teva Pharms. USA, Inc.* that evidence which is developed after a patent has issued may be used to support the validity of the patent, and evidence which comes to light subsequent to the issuance of a patent which supports a holding of nonobviousness should be considered because there is no requirement that an invention’s properties and advantages be fully known before the patent application is filed.<sup>66</sup> The Federal Circuit reversed the district court’s finding that all the claims of the patent-in-suit were obvious in light of the prior art. The court also held that the district court’s refusal to consider evidence presented by the patentee to show unexpected results was error because the “unexpected benefits or results were discovered after the [patent-in-suit] had been issued.”<sup>67</sup> The Federal Circuit made clear that “evidence developed after the patent grant is not excluded from consideration, for understanding of the full range of an invention is not always achieved at the time of filing the patent application.”<sup>68</sup> The court went on to explain that it is also not improper to conduct additional experiments and provide later-obtained data in support of patent validity.<sup>69</sup>

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61. *Elan Pharms. v. Mayo Found. For Med. Educ. & Research*, 346 F.3d 1051, 1055 (Fed. Cir. 2003).

62. *Id.* at 1057.

63. *Id.* at 1055 (quoting *In re Wands*, 858 F.2d 731, 737 (Fed. Cir. 1988)).

64. *Id.* at 1056.

65. *Id.*

66. *Knoll Pharm. Co. v. Tera Pharms. USA, Inc.*, 367 F.3d 1381, 1385 (Fed. Cir. 2004).

67. *Id.* at 1384.

68. *Id.*

69. *Id.*

## D. ENABLEMENT/WRITTEN DESCRIPTION/BEST MODE

35 U.S.C. § 112 sets forth three requirements that a patent's specification must meet: the disclosure of the invention must be enabling; the written description of the invention must be sufficient; and the specification must describe the best mode of practicing the invention, if the inventor is aware of one.<sup>70</sup> The Federal Circuit dealt with each of these areas during the Survey period.

The Federal Circuit considered § 112's enablement requirement in *CFMT, Inc. v. Yieldup Int'l Corp.* and vacated the district court's finding that the invention claimed in the patent-in-suit was not enabled by the patent's specification.<sup>71</sup> The patents at issue in the suit claimed a system for cleaning semiconductor wafers. The district court found that they were not enabled because their commercial embodiments did not meet commercial standards for cleanliness in the industry, noting that "the first wafers processed with the Full Flow system appeared clean to the naked eye" but looked "filthy" when viewed using laser scanning.<sup>72</sup> The Federal Circuit held that the district court misapplied § 112's enablement requirement by requiring that the patent disclosures enable a single embodiment—the Full Flow system—to meet the industry standards.<sup>73</sup>

In essence, the district court set the enablement bar too high. Enablement does not require an inventor to meet lofty standards for success in the commercial marketplace. Title 35 does not require that a patent disclosure enable one of ordinary skill in the art to make and use a perfected, commercially viable embodiment absent a claim limitation to that effect.<sup>74</sup>

Applying the correct standard, the Federal Circuit determined that the various limitations of the patent-in-suit were enabled.<sup>75</sup>

In *In re Wallach*, the Federal Circuit upheld the Board of Patent Appeals and Interferences' rejection of claims on the ground that the written description was inadequate under 35 U.S.C. § 112.<sup>76</sup> The Federal Circuit held that, with respect to DNA sequences derived from known partial protein sequences, the written description that described only the partial sequence was insufficient, even though the patent only claimed those DNA sequences within the specific genus that can encode the partial amino acid sequence.<sup>77</sup> The sequence of the full DNA molecule could not be determined from the partial amino acid sequence described.<sup>78</sup> This did not satisfy the Federal Circuit's holding that the written description requirement is met by "showing that an invention is complete by

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70. 35 U.S.C. § 112 (2000).

71. *CFMT, Inc. v. Yieldup Int'l Corp.*, 349 F.3d 1333, 1340 (Fed. Cir. 2003).

72. *Id.* at 1337.

73. *Id.* at 1338.

74. *Id.*

75. *Id.* at 1339.

76. *In re Wallach*, 378 F.3d 1330, 1335-36 (Fed. Cir. 2004).

77. *Id.* at 1335.

78. *Id.*

disclosure of sufficiently detailed, relevant identifying characteristics . . . i.e., complete or partial structure, other physical and/or chemical properties, functional characteristics when coupled with a known or disclosed correlation between function and structure, or some combination of such characteristics.”<sup>79</sup> Thus, the Federal Circuit held that a description of a partial protein sequence does not give disclosure sufficient to evidence possession of the claimed invention.<sup>80</sup>

In *High Concrete Structures, Inc. v. New Enter. Stone & Lime Co.*, the Federal Circuit held that a patent may be held invalid for failure to disclose the best mode if: (1) the inventor knew about a better mode than was disclosed; and (2) the inventor intentionally concealed the better mode.<sup>81</sup> High Concrete is the owner of a patent directed to a tilt frame used to support heavy cargo, such as concrete structures on a transport truck. When it sued New Enterprise Stone and Lime Company for infringement of its patent, New Enterprise asserted a counterclaim of invalidity based in part on its argument that High Concrete knew of a better mode than that disclosed in the patent’s specification. Although both parties agreed that the use of a crane for heavy loads was well known among people of skill in the industry, without evidence of concealment, the Federal Circuit reversed the district court’s finding of invalidity for failure to disclose the best mode because “known ways of performing a known operation cannot be deemed intentionally concealed absent evidence of intent to deliberately withhold that information.”<sup>82</sup>

#### E. DOCTRINE OF EQUIVALENTS/CLAIM SCOPE

The Federal Circuit’s landmark decision in *Festo IX*, dealt with the application of the prosecution history estoppel to narrow the range of equivalents to which the patentee is entitled under the doctrine of equivalents. Although this case was decided just prior to the Survey period its impact was reflected in several of the court’s opinions during the Survey period.<sup>83</sup>

In its *en banc* decision in *Honeywell Int’l, Inc. v. Hamilton Sundstrand Corp.*, the Federal Circuit held that a presumption of prosecution history estoppel applies to a limitation originally found in a dependent claim when that claim is re-written into independent form and the limitation is not found in the original independent claim to which the dependent claim referred, and where the base independent claim is cancelled for reasons related to patentability.<sup>84</sup> The court stated that this conclusion is re-

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79. *Id.* (citing 66 Fed. Reg. 1099, 1106 (Jan. 5, 2001)).

80. *Id.* at 1334.

81. *High Concrete Structures, Inc. v. New Enter. Stone & Lime Co.*, 377 F.3d 1379, 1382 (Fed. Cir. 2004).

82. *Id.* at 1384.

83. *Festo Corp. v. Shoketsu Kinzoku Kogyo Kabushiki Co., Ltd.*, 344 F.3d 1359 (Fed. Cir. 2003) [hereinafter *Festo IX*].

84. *Honeywell Int’l, Inc., v. Hamilton Sundstrand Corp.* 370 F.3d 1131, 1143-44 (Fed. Cir. 2004).

quired because the additional limitation effectively narrows the scope of the claimed subject matter and presents a narrowing amendment made for reasons related to patentability.<sup>85</sup>

Honeywell sued Hamilton Sundstrand, asserting only the doctrine of equivalents as a theory of infringement of Honeywell's patent for an aircraft auxiliary power unit (a small gas turbine engine usually located in the tail section of an airplane). Honeywell conceded that the inlet guide vane limitation contained in its patent was not literally met by the accused device, but alleged that the inlet guide vane position performed an equivalent function in the accused device. The Federal Circuit framed the issue as "whether a narrowing amendment to a patent claim that adds an additional claim limitation creates a presumptive surrender of equivalents under the Supreme Court's decisions in *Warner-Jenkinson Co. v. Hilton Davis Chemical Co.* and *Festo Corp. v. Shoketsu Kinzoku Kogyo Kabushiki Co.*"<sup>86</sup>

The Federal Circuit's recent *Festo IX* decision made clear that the presumption of surrender of claim scope may be rebutted if the patentee can demonstrate that: (1) "the alleged equivalent would have been unforeseeable at the time . . . the narrowing amendment" was made; (2) "the rationale underlying the narrowing amendment bore no more than a tangential relation to the equivalent; and (3) there was some other reason suggesting that the patentee could not reasonably have been expected to have described the alleged equivalent."<sup>87</sup> In light of that authority, the Federal Circuit's task in *Honeywell* was to determine whether "rewriting a dependent claim into independent form, coupled with the cancellation of the original independent claim, constitutes a narrowing amendment when the dependent claim includes an additional claim limitation not found in the cancelled independent claim or circumscribes a limitation found in the cancelled independent claim."<sup>88</sup> The court determined that it did, holding that:

the fact that the scope of the rewritten claim has remained unchanged will not preclude the application of prosecution history estoppel if, by canceling the original independent claim and rewriting the dependent claims into independent form, the scope of subject matter claimed in the independent claim has been narrowed to secure the patent.<sup>89</sup>

Likewise, in *Smithkline Beecham Corp. v. Excel Pharms., Inc.*, the Federal Circuit held that the Supreme Court's decision in *Festo* neither excuses an applicant from claiming readily known equivalents at the time of application nor allows a patentee to rebut the presumption of disavowal

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85. *Id.* at 1139-40.

86. *Id.* at 1139; *Warner-Jenkinson Co. v. Hilton Davis Chem. Co.*, 520 U.S. 17 (1997); *Festo Corp. v. Shoketsu Kinzoku Kogyo Kabushi Co.*, 535 U.S. 722 (2002) [hereinafter *Festo VIII*].

87. *Festo IX*, 344 F.3d at 1368.

88. *Honeywell*, 370 F.3d at 1141.

89. *Id.* at 1142.

of claim scope by invoking its own failure to include a known equivalent in its original application.<sup>90</sup> The district court determined on summary judgment that Smithkline's patent, which claimed a controlled-release formulation of a chemical compound known as "HPMC," was not infringed by Excel Pharmaceutical's generic substitute drugs. The Federal Circuit determined on appeal that Smithkline's narrowing amendments during prosecution invoked the *Festo* presumption of prosecution history estoppel. The Federal Circuit further rejected Smithkline's argument that the polyvinylalcohol used in Excel's drug in place of HPMC was not a foreseeable equivalent, and that it could not have added the polyvinylalcohol to its claims at the time of amendment without drawing a new matter rejection. This is because Smithkline misconstrued *Festo*, which applies only at the time of *amendment*, whereas Smithkline should have foreseen and included the polyvinylalcohol equivalent at the time of *filing* of its patent application.<sup>91</sup>

The Supreme Court [in *Festo*] ties foreseeability to whether the applicant would have been expected to know of, and thus properly claim, the proposed equivalent at the time of amendment. The Supreme Court's passage addresses the time of amendment only and does not address the instance where the applicant could not properly claim a known equivalent because it had purposely left that known substitute out of its disclosure at the time of filing. In such an instance, the applicant should have foreseen and included the proposed equivalent in its claims at the time of filing.<sup>92</sup>

#### F. PRE-SUIT INVESTIGATION

On the issue of what constitutes a sufficient investigation by a patent-holder prior to filing a claim of patent infringement for Rule 11 purposes,<sup>93</sup> the Federal Circuit held in *Q-Pharma, Inc. v. Andrew Jergens Co.* that a key factor in determining whether a patentee performed a reasonable inquiry prior to asserting a patent-infringement claim is whether the patentee conducted a claim interpretation and infringement analysis.<sup>94</sup> Q-Pharma owned a patent directed to a method for therapeutically treating damaged tissue by topically administering a composition containing Coenzyme Q10; Q-Pharma sued Andrew Jergens for infringement in the sale of its Curél CoQ10 lotion. Jergens filed a motion for summary judgment of non-infringement, in which it revealed that the accused product contained no more than 0.00005% CoQ10 by weight. Jergens also moved for sanctions against Q-Pharma under Rule 11, which was denied when the district court determined that Q-Pharma had made a sufficient pre-filing inquiry to determine whether the accused product infringed. Al-

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90. *Smithkline Beecham Corp. v. Excel Pharms., Inc.*, 356 F.3d 1357, 1364 (Fed. Cir. 2004).

91. *Id.*

92. *Id.*

93. Referring to FED. R. CIV. P. 11.

94. *Q-Pharma, Inc. v. Andrew Jergens Co.*, 360 F.3d 1295, 1302 (Fed. Cir. 2004).



though Q-Pharma did not conduct a chemical analysis of the product, its attorneys performed a claim construction analysis and relied on Jergens' advertising statements regarding the content of its lotion.<sup>95</sup> Therefore, the pre-filing inquiry was sufficient.

On appeal, the Federal Circuit stated that "in the context of patent infringement actions, we have interpreted Rule 11 to require, at a minimum, that an attorney interpret the asserted patent claims and compare the accused device with those claims before filing a claim alleging infringement."<sup>96</sup> The court held that Q-Pharma's construction of the patent's claim as requiring no minimum amount of CoQ10 was reasonable in light of the intrinsic record, because "Q-Pharma's claim interpretation, while broad, followed the standard canons of claim construction and was reasonably supported by the intrinsic record."<sup>97</sup> Because any amount of CoQ10 would have satisfied the claims of the patent as interpreted by Q-Pharma's attorneys no chemical analysis was necessary and Q-Pharma's pre-suit investigation satisfied the requirements of Rule 11.<sup>98</sup>

### G. DAMAGES

The Federal Circuit held in *Juicy Whip, Inc. v. Orange Bang, Inc.* that where a functional relationship exists between a patented device and an unpatented accessory or component, the patentee is entitled to present evidence of damages from lost sales of the unpatented component.<sup>99</sup> Juicy Whip is the patentee of a beverage dispenser that simulates the appearance of the dispensed beverage to promote sales; a transparent bowl containing the post-mix solution creates the visual that the bowl is the primary source of the dispensed beverage. On remand, the district court denied Juicy Whip's motion to introduce testimony on its lost profits on syrup sales based on its argument that it would have sold more syrup but for Orange Bang's infringement. The district court's denial was based on its finding that Juicy Whip failed to establish that the syrup and the patented dispenser constituted a single functional unit. The Federal Circuit remanded the case to the district court because "the court was clearly erroneous in determining that there was no functional relationship between Juice Whip's dispenser and the syrup; on the contrary, it is clear that there is such a relationship and Juicy Whip should be entitled to prove damages with respect to lost profits from lost syrup sales."<sup>100</sup>

### III. COPYRIGHT UPDATE

Because federal courts have exclusive jurisdiction over actions brought under the Copyright Act, the Fifth Circuit Court of Appeals provides

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95. *Id.* at 1297-99.

96. *Id.* at 1300-01.

97. *Id.* at 1301.

98. *Id.*

99. *Juicy Whip, Inc. v. Orange Bang, Inc.*, 382 F.3d 1367, 1372 (Fed. Cir. 2004).

100. *Id.* at 1371.

binding precedent for the Texas practitioner of copyright law. The court issued relatively few copyright opinions during the Survey period. Of particular importance, however, is one opinion that refined the court's jurisprudence in an area of increasing importance to intellectual property in the twenty first century—infringement of copyrights in computer source code.

*General Universal Systems Inc. v. Lee* involved a claim by General Universal Systems ("GUS") alleging that a partnership known as HAL copied the non-literal elements of a software system that GUS had developed for a client.<sup>101</sup> After some discovery, GUS also claimed that HAL infringed its copyright in the literal source code, as evidenced by the fact that the two programs were substantially similar. The district court granted summary judgment to the defendant on both grounds, and GUS appealed.<sup>102</sup>

On appeal, GUS asserted two points of error. First, GUS claimed that the district court erred in applying the abstraction-filtration analysis adopted by the Fifth Circuit in *Altai* to its claims for infringement of the source code, which GUS contended should only be applied to determine whether non-literal elements of software contain any copyrightable expression. Second, GUS claimed that the court applied too restrictive an analysis in determining whether the source code had been copied. With respect to the first ground, the court acknowledged that "although we have generally endorsed the *Altai* test to evaluate claims that nonliteral software elements were copied, we have not explicitly addressed whether that test should be used to evaluate charges that a program's source code or object code was copied."<sup>103</sup> The court did not resolve the issue, however, because it found that the district court dismissed only GUS's claims relating to the non-literal elements of the software based on its abstraction-filtration analysis.<sup>104</sup>

Regarding GUS's second point of error, the Fifth Circuit affirmed the district court's dismissal of GUS's claim that HAL copied the literal source code, based on a lack of evidence of substantial similarity.<sup>105</sup> While GUS argued that the district court required that the infringed program be "virtually identical" rather than substantially similar to the copyrighted program, the Fifth Circuit determined that the district court properly applied the standard of substantial similarity. GUS failed to adduce sufficient evidence of similarity in response to HAL's motion for summary judgment by failing to attach a copy of its source code so that a side-by-side comparison could be performed.<sup>106</sup> Rather, the evidence that GUS attached included: (1) a printout containing names of fields used by the program, purporting to be a "database layout;" (2) a direc-

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101. Gen. Universal Sys., Inc. v. Lee, 379 F.3d 131 (5th Cir. 2004).

102. *Id.* at 137-39.

103. *Id.* at 143.

104. *Id.*

105. *Id.* at 145.

106. *Id.* at 146.

tory list giving the names of data entry fields used by the two software systems; (3) a print-out of a program contained within the larger copyrighted software program; and (4) print-outs of invoices generated by the program.<sup>107</sup> GUS argued that these four pieces were evidence of direct copying because the layouts of the invoices generated by the copyrighted and accused programs were nearly identical. The Fifth Circuit, however, held that this was nothing more than evidence of the non-literal elements of the programs which were insufficient to satisfy GUS's burden of demonstrating substantial similarity of the source code for the two programs.<sup>108</sup>

*General Universal Systems* sends a very important message to Texas copyright practitioners regarding (1) the level of proof required to establish copying of program source code, even to withstand summary judgment of non-infringement, and (2) regarding the Fifth Circuit's understanding of the difference between the literal and non-literal elements of computer software.

#### IV. TRADEMARK UPDATE

The Fifth Circuit issued several interesting opinions during the Survey period regarding trademark law. Its relatively few decisions over the past year provided guidance with respect to the often-litigated "likelihood of confusion" element of trademark infringement, and the rarely-litigated Anticybersquatting Consumer Protection Act.<sup>109</sup>

In *Scott Fetzer Co. v. House of Vacuums Inc.*, the Fifth Circuit held that it was not infringement for a vacuum cleaner retailer to use the plaintiff's "Kirby" mark in its advertisements for sales of new vacuum cleaners so long as such advertisements did not suggest affiliation or endorsement by the plaintiff even though the retailer was not an authorized dealer of "Kirby" vacuums.<sup>110</sup> The Scott Fetzer Company owns the Kirby Company, a manufacturer of vacuum cleaners, as well as the "Kirby" trademark and service marks. The defendant, House of Vacuums is a retail seller of vacuum cleaners in San Antonio. Scott Fetzer alleged that House of Vacuums' use of the "Kirby" mark in its yellow pages advertisement constituted trademark infringement, unfair competition, and trademark dilution. House of Vacuums was not an authorized Kirby distributor but repaired a significant number of Kirby vacuums. House of Vacuums also sold several used models and the occasional new one obtained from an authorized distributor.<sup>111</sup>

After considering the advertisement in question, the Fifth Circuit agreed with the district court that no reasonable jury could find that there was a likelihood of confusion by suggesting that House of Vacuums is

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107. *Id.* at 147.

108. *Id.*

109. Anticybersquatting Consumer Protection Act, 15 U.S.C. § 1125(d) (2004).

110. *Scott Fetzer Co. v. House of Vacuums, Inc.*, 381 F.3d 477, 478 (5th Cir. 2004).

111. *Id.* at 482-83.

affiliated with or endorsed by Kirby.<sup>112</sup> Central to the court's analysis was the context in which Kirby's name appeared in the advertisement. The court observed that "prominent and pervasive use of a mark will suggest affiliation, but mere reference to a marked product will not."<sup>113</sup> In light of this observation, the court was persuaded by evidence that there was no likelihood of confusion because (1) the word "Kirby" was the fifth in a list of thirteen brand names and was not especially prominent; (2) there could be no presumption of bad intent because defendant was an independent dealer advertising sales or repairs of a branded product; (3) intent to compete, which plaintiff adduced, is not tantamount to intent to confuse, which is one element that supports a finding of likelihood of confusion; and (4) plaintiff could show no evidence of actual confusion.<sup>114</sup>

In *TMI, Inc. v. Maxwell*, TrendMaker Homes accused the defendant of violating the Anticybersquatting Consumer Protection Act ("ACPA") by registering the domain name "www.trendmakerhomes.com." The Fifth Circuit held that no violation occurred because the defendant lacked a bad faith intent to profit from the plaintiff's business.<sup>115</sup> The ACPA provides that the owner of a mark can recover against a person who, acting with "a bad faith intent to profit from that mark . . . registers, traffics in, or uses a domain name that . . . is identical or confusingly similar to that mark."<sup>116</sup> The court emphasized that, in other cases where a violation was found, the defendant "essentially held hostage a domain name that resembled a mark with the intention of selling it back to the mark's owner."<sup>117</sup> Because Maxwell was merely a disgruntled customer who posted the website to inform the plaintiff's potential customers about his bad experience with TrendMaker Homes, the court found no evidence of bad faith, thus precluding recovery under the Act.<sup>118</sup>

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112. *Id.* at 488.

113. *Id.* at 485.

114. *Id.* at 486.

115. *TMI, Inc. v. Maxwell*, 368 F.3d 433 (5th Cir. 2004).

116. *Id.* at 436.

117. *Id.* at 439.

118. *Id.*

