

DEVELOPMENTS IN PATENT LAW 1999

December 1998 to December 1999

I. NEW PATENT LEGISLATION

II. CASE LAW

III. TRENDS

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I. NEW PATENT LEGISLATION

The Intellectual Property and Communications Omnibus Reform Act of 1999 (S.1948) made major changes to the patent statute (Title 35, United States Code).

1. IMPROPER AND DECEPTIVE INVENTION PROMOTIONS (NEW SEC. 297)

- (1) invention “promoters” have duty to disclose (in writing) success rate to inventors
- (2) federal cause of action against invention promoters for fraud/misrepresentation or failure to disclose certain information in writing
- (3) statutory damages up to \$5,000 in lieu of proven damages
- (4) PTO must keep records of complaints filed by inventors
- (5) effective 60 days after enactment

2. REDUCTIONS IN PATENT & TRADEMARK FEES

- (1) application filing fee reduced from \$760 to \$690 (9% reduction)
- (2) maintenance fees reduced from \$940 to \$830 (12% reduction)
- (3) PTO ordered to study alternative fee structures
- (4) new fees effective 30 days after enactment

3. DEFENSE TO INFRINGEMENT BASED ON PRIOR USE (NEW SEC. 273)

- (1) old law: earlier use of invention was no defense to infringement unless it was “public”
- (2) new law: infringer's prior use of patented “method of doing business” is infringement defense
- (3) key provisions:
 - (a) defense applies only to “business” method claims (no definition provided)
 - (b) “exhaustion” right: sale of product produced by patented method is not infringement
 - (c) defense is personal, not a transferable license
 - (d) infringer entitled to increase quantities, but not start at new location
 - (e) unsuccessful defense: attorneys fees if no reasonable basis for asserting defense
 - (f) can't declare patent invalid based solely on prior use by infringer
 - (g) defense effective upon enactment, but doesn't apply to pending lawsuits

4. PATENT TERM GUARANTEE (AMENDS SEC. 154)

- (1) PTO must examine patent applications no later than 14 months after filing
- (2) PTO must respond to amendment or other response no later than 4 months after filing
- (3) PTO must issue patent within 4 months after payment of issue fee
- (4) PTO must issue patent within 3 years of filing excluding:

- (a) time spent on “continued examination” requests by applicant
- (b) time spent on appeals or interferences
- (c) time due to extension requests made by applicant
- (5) patent term will be extended day-for-day (subject to below limitations) for:
 - (a) interferences
 - (b) secrecy orders
 - (c) appeals at PTO appeal board if favorable outcome
- (6) failure of PTO to comply results in patent term extension (one day per day of delay) but:
 - (a) no extension beyond terminal disclaimer dates
 - (b) extension period reduced for applicant-s failure to engage in reasonable efforts (e.g., taking more than 3 months to respond to PTO office action)
 - (c) PTO to issue new regulations defining “reasonable efforts”
- (7) PTO will tell you how much term extension you will get
- (8) can sue PTO if dissatisfied with term extension (sue in D.C. district court within 180 days)
- (9) term extension provisions effective 6 mos. after enactment and apply only to newly filed applications

5. PATENT APPLICATIONS TO BE PUBLISHED AT 18 MOS. (AMENDS SEC. 122)

- (1) all U.S. patent applications to be published 18 months after filing or priority date
- (2) doesn't apply to:
 - (a) abandoned applications
 - (b) provisional applications
 - (c) design applications
- (3) applicant can request stop to publication upon certifying that application won't be foreign filed
- (4) PTO not allowed to allow protest or other opposition based on published application
- (5) publication to begin 1 year after enactment; only applies to newly filed applications
- (6) applicant can “voluntarily” publish applications (1 year after enactment)

6. PROVISIONAL RIGHTS UNDER PUBLISHED APPLICATIONS

- (1) old law: no infringement damages until patent issues
- (2) new law: can recover “reasonable royalty” for infringement occurring after publication if infringer has actual notice of published patent application
- (3) no recovery unless claims in issued patent are “substantially identical” to published application
- (4) for international applications designating U.S.: date of receipt in PTO of English version is “publication” date

7. NEW 102(E) PRIOR ART: PUBLISHED APPLICATIONS

- (1) old law: prior patent application by another is prior art under 102(e) only if it issues as patent

(2) new law: prior patent application by another is prior art if it becomes published

8. THIRD-PARTY RE-EXAMINATION PROCEDURES (NEW SEC. 311-318)

- (1) old law: third parties could request re-examination of patents, but could not participate
- (2) new law: third parties may file responses to patent owner, and can even appeal
- (3) new law supplements, does not override ex parte re-examination (you have choice)
- (4) re-examination request must identify real party in interest (no anonymous requests)
- (5) all documents filed by patent owner or requester must be served on other side
- (6) third party may file response to any paper filed by patent owner
- (7) third party may appeal decision to PTO Board, or can be party to appeal filed by patent owner
- (8) but: third party may not appeal PTO Board decision to court (including Fed. Cir.)
- (9) third-party requester is estopped from asserting invalidity in later litigation based on prior art raised during re-examination, or prior art that third party could have raised during re-examination.
- (10) third party who loses in patent litigation cannot file third-party re-examination request on basis of issues raised in litigation

9. STRUCTURAL CHANGES TO PATENT & TRADEMARK OFFICE

- (1) new PTO “director” appointed by president for 5-year term
- (2) PTO now independent agency within Dept. of Commerce (independent budget/admin.)
- (3) secretary of commerce still appoints commissioners of patents, trademarks

10. WEEKEND/HOLIDAY EXCEPTION FOR PROVISIONAL APPLICATIONS

- (1) old law: provisional applications expired 12 months after filing, even if weekend or holiday
- (2) new law: extends expiration until next business day (avoids malpractice trap)
- (3) new law extends to previously filed provisionals (cures defects) but does not apply to pending litigation

11. EXTENSION OF 102(F) AND 102(G) EXCLUSIONS TO 102(E) PRIOR ART

(1) old law: inventions derived from or invented by another person (102(f) and 102(g)) could not be used as prior art under 103 (obviousness) if the other person was under an obligation to assign to the same person/entity (e.g., if they worked for the same company). Exclusion didn't apply to patent applications filed by another person under 102(e).

Example: Joe and Bob both work for Acme Corporation, and are obligated to assign any inventions to Acme. Joe invents a new mousetrap, and shows the mousetrap to Bob. Bob takes Joe's idea and improves it, making a “better” mousetrap. If Bob files a patent application for the improved mousetrap, the patent office can't reject the application as being obvious over Joe's

original mousetrap. But if Joe had filed a patent application on the original mousetrap, the patent office could reject Bob's application based on Joe's earlier patent application.

(2) new law: patent applications filed by another person having common obligation to assign cannot be used as prior art under 103. In above example, the patent office now cannot reject Bob's application, even if Joe had filed a patent application on the original mousetrap.

II. CASE LAW

A. PATENTABILITY & VALIDITY

1. STATUTORY SUBJECT MATTER (ALGORITHMS AND BUSINESS METHODS)

AT&T v. Excel Communications, Inc., 172 F.3d 1352 (Fed. Cir. 1999). This case extends the State Street Bank decision by holding that a method need not involve a "physical transformation" of subject matter in order to be patentable. The district court invalidated a patented method of generating telephone information on the basis that it merely recited a mathematical algorithm. The Federal Circuit reversed, concluding that the algorithm was applied in a "useful manner" for billing purposes; no "physical transformation" was needed.

2. UTILITY/ENABLEMENT

Juicy Whip, Inc. v. Orange Bang, Inc., 185 F.3d 1364 (Fed. Cir. 1999). An invention does not lack utility merely because it involves deception. The invention involved a juice dispenser that gave the appearance of a pre-mixed beverage, even though the beverage was not in fact pre-mixed. The Federal Circuit declined to follow two old Second Circuit decisions that had reached an opposite conclusion.

In re Cortright, 165 F.3d 1353 (Fed. Cir. 1999). A first method of "restoring hair growth" by applying a compound to human scalp was improperly rejected by the patent office under 35 U.S.C. ' 112, first paragraph (enablement) because the PTO wrongly required evidence of a "complete restoration" of hair growth, which was not disclosed. The Federal Circuit ruled that one of ordinary skill in the art would not interpret the claim to require complete restoration. As to a second method of "offsetting the effects of lower levels of a male hormone being supplied by arteries to the papilla of scalp hair follicles" to cause hair growth, the Federal Circuit held that it was unpatentable for lack of enablement because there was nothing in the patent suggesting that the active ingredient actually reached the papilla or that "offsetting" occurs. The Federal Circuit rejected the PTO's argument that the inventor failed to explain how the invention works,

noting that there is no requirement under the patent statute that an inventor understand how the invention works.

National Recovery Techs., Inc. v. Magnetic Separation Sys., Inc., 166 F.3d 1190 (Fed. Cir. 1999). The Federal Circuit held invalid a claim that was “broader than the enablement” taught in the patent specification. The claim required a step of selecting signals which did not pass through irregularities in a plastic container. The patent owner argued that the claim did not require absolute perfection in separating signals, and that the specification explained that signals having the highest transmission rate should be selected. The Federal Circuit interpreted the claim to require selection of signals that did not pass through, rather than a “proxy” for the claimed step. Because the specification did not explain how such signals could be selected, and because there was no known way for a person of ordinary skill in the art to distinguish signals that passed through irregularities from those that did not, the claim was invalid.

3. ON-SALE BAR

Abbott Labs. v. Geneva Pharm., Inc., 182 F.3d 1315 (Fed. Cir. 1999). A patented invention was invalid because it was offered for sale more than one year before the patent application was filed. A third party had sold a form of the invention more than one year before the filing date. The patent owner argued that the sale was not for the patented invention because the parties did not know at the time of the sale that what was sold contained the specifically claimed Form IV of the patented compound. The Federal Circuit concluded that there was no requirement that the parties understand the details of what was sold; the mere fact that it was sold was conclusive.

Brasseler, USA I, L.P. v. Stryker Sales Corp., 182 F.3d 888 (Fed. Cir. 1999). There is no “joint development” exception to the on-sale bar. Even though the patent named joint inventors from two different companies and the two companies had worked together to market the patented invention, there was a concrete sale of the patented device between the two companies more than one year before the application was filed, invalidating the patent.

4. CORROBORATION OF INVALIDITY EVIDENCE

Thomson, S.A. v. Quixote Corp., 166 F.3d 1172 (Fed. Cir. 1999). Corroboration of inventor testimony under 35 U.S.C. § 102(g) is not required unless the testifying inventor stands to personally gain from the testimony. In this case, two disinterested third party inventors were permitted to testify that they had invented the patented subject matter first, even though they provided no corroboration of the earlier invention. The Federal Circuit ruled that the uncorroborated testimony was sufficient unless the inventors would receive a “substantial gain” from declaring the patent invalid.

Finnigan Corp. v. Int'l Trade Comm'n, 180 F.3d 1354 (Fed. Cir. 1999). Corroboration is required of any witness whose testimony alone is asserted to invalidate a patent, regardless of his or her level of interest.” (emphasis added) The Court distinguished Thomson on the ground that it involved two witnesses rather than a single witness, and reiterated the rule that if the testimony of a single witness is relied upon to invalidate a patent, corroboration is required.

5. DOUBLE PATENTING

In re Dembiczak, 175 F.3d 994 (Fed. Cir. 1999). A utility patent application claiming a decorated “pumpkin bag” was not obvious over two earlier design patents for a similar invention. The Federal Circuit applied a two-way obviousness analysis, and concluded that a textual description of facial indicia in the claims of the utility patent application did not render obvious the specific facial indicia shown in the design patents.

6. REISSUE PROCEEDINGS

Vectra Fitness, Inc. v. TNWK Corp., 162 F.3d 1379 (Fed. Cir. 1998). In a reissue patent application filed more than two years after the original patent issued, new claims which were narrower than those in the original patent but broader than those remaining after a disclaimer impermissibly broadened the scope of the claims after two years. In this case, the patent owner had filed a paper at the PTO disclaiming certain claims after learning that they were invalid. More than two years after the patent issued, the patent owner tried to add new claims that were narrower than those in the original patent but broader than those remaining after the disclaimer. The Federal Circuit held the claims invalid.

7. DEFERENCE GIVEN TO PTO PATENTABILITY DECISIONS

Dickinson v. Zurko, 119 S.Ct. 1816, 144 L. Ed.2d 143 (1999). The Supreme Court held that the Federal Circuit must treat the Patent and Trademark Office as an agency whose decisions are subject to review under the Administrative Procedure Act’s “arbitrary, capricious, or an abuse of discretion,” and “substantial evidence” standards. No longer can the Federal Circuit apply a less deferential “clearly erroneous” standard of review for factual determinations from the PTO.

B. INTERPRETATION OF PATENTS

1. CLAIM CONSTRUCTION (PURELY LEGAL ISSUE)

Voice Technologies Group, Inc. v. VMC Sys., Inc., 164 F.3d 605 (Fed. Cir. 1999). An inventor is competent to testify regarding how the patented invention operates and what was intended to be covered by the patent. The district court had excluded the inventor’s testimony about the meaning of the term “telephone emulation” on the basis that an

inventor's testimony was irrelevant. The Federal Circuit stated that "Although in Markman this court stated that the subjective intent of the inventor when he used a particular term is of little or no probative weight in determining the scope of a claim, this statement does not disqualify the inventor as a witness, or overrule the large body of precedent that recognizes the value of the inventor's testimony."

Finnigan Corp. v. Int'l Trade Comm'n, 180 F.3d 1354 (Fed. Cir. 1999). The fact that claim construction is reviewed de novo does not mean that a party may raise a new claim construction argument for the first time on appeal. A claim construction argument that was not presented below is waived for purposes of appeal.

Pitney Bowes, Inc. v. Hewlett-Packard Co., 182 F.3d 1298 (Fed. Cir. 1999). First, the district court did not err in considering extrinsic evidence (an expert's testimony) to interpret otherwise clear claim language, since the court did not rely on it to arrive at its claim construction (explaining Vitronics). Second, the district court erred in requiring that the term "spot" have the same meaning throughout the claims. Most of the patent referred to the term "spot" as a moving light beam, but the patent referred in two instances to "spot" in the sense of an area of discharge on a photoreceptor. The district court erred in requiring that the term "spot" be used consistently in the claims and thus improperly interpreted all occurrences of "spot" in the claims to refer to the light beam. Readers of the patent should be on notice of the different meanings of the term "spot." Third, the Federal Circuit concluded that the district court gave too much weight to the title of the patent and amendments to the title.

Rhine v. Casio, Inc., 183 F.3d 1342 (Fed. Cir. 1999). The axiom that claims should be construed to sustain their validity does not apply where the written description and claim language compels only one interpretation, even if that interpretation invalidates the claim. The patent claimed a watch including a flashlight having a power supply connected to "at least one light source," and means for automatically extinguishing the light source after a time delay. Casio's watch included only a single light source. Because the prior art showed a watch with a single light source, the district court narrowly construed the claim to require two separate light sources and granted Casio's motion for summary judgment of non-infringement. The Federal Circuit reversed, concluding that the term "at least one light source" and the specification's suggestion that a single light source could illuminate the watch and areas beyond the watch clearly covered single-light versions. The Federal Circuit remanded to determine whether the claim would have been obvious over the prior art.

Seal-Flex, Inc. v. Athletic Track & Court Constr., 172 F.3d 836 (Fed. Cir. 1999). Where the parties agreed on a particular claim construction that was adopted by the district court, and neither party disputes that construction on appeal, the Federal Circuit will not sua sponte raise the claim construction argument (i.e., whether the claim recited a means-plus-function limitation or a step-plus-function limitation). [Compare Rodime PLC v.

Seagate Technology for different result] Judge Rader filed a lengthy concurrence urging that the Federal Circuit newly consider this issue, and suggesting how step-plus-function claims should be interpreted.

Johnson Worldwide Assocs., Inc. v. Zebco Corp., 175 F.3d 985 (Fed. Cir. 1999). There are two situations in which a term used in a claim should be defined with reference to the specification or to extrinsic evidence rather than relying on the ordinary definition of the term: (1) where the patentee has chosen to be his own lexicographer by clearly defining a term in the specification; or (2) where a term used by the patent owner so deprives the claim of clarity that there is no way to determine the scope of the claim. In this case, neither principle applies. The Federal Circuit rejected the infringer's argument that the term "heading" should be limited to the heading of the trolling motor rather than the more general meaning of the term "heading."

2. DOCTRINE OF EQUIVALENTS INFRINGEMENT

Streamfeeder, LLC v. Sure-Feed Sys., Inc., 175 F.3d 974 (Fed. Cir. 1999). A patent owner cannot use a Wilson Sporting Goods hypothetical claim analysis to narrow a claim in certain respects while broadening it in other respects to cover an accused device. The district court erred by allowing the claim to be narrowed to save its validity. The patent owner bears the burden of persuasion to establish that the hypothetical claim does not ensnare the prior art. The Federal Circuit stated that "a hypothetical claim analysis is not an opportunity to freely redraft granted claims."

Festo Corp. v. Shoketsu Kinzoku Kogyo Kabushiki Co., 172 F.3d 1361 (Fed. Cir.1999), reh'g in banc granted and judgment vacated by 187 F.3d 1381 (Fed. Cir. 1999). The panel concluded that the "all-elements rule" does not require a one-to-one correspondence between an accused device and each claimed limitation, finding that a single two-way piston seal infringed, under the doctrine of equivalents, a claim limited to a pair of seals. See below.

3. PROSECUTION HISTORY ESTOPPEL

Sextant Avionique, S.A. v. Analog Devices, Inc., 172 F.3d 817 (Fed. Cir. 1999). Where the reason for a claim amendment is unclear from the prosecution history, and un rebutted by the patent owner, the doctrine of prosecution history estoppel completely bars any infringement under the doctrine of equivalents as to the amended limitation. In this case, the patent owner had added a "metalization" limitation to the claims, but it was unclear why the limitation was added, since it was not necessary to distinguish the prior art. The Federal Circuit concluded that where the reason for the amendment was unclear, no equivalence would be permitted as to that limitation under the doctrine of equivalents. Senior Judge Smith dissented, arguing that "From this point on, litigants will have to worry about the Warner-Jenkinson presumption being applied for the first time on

appeal, and their claims being limited to their literal terms, because this court disagrees with the trial court on the reason a claim was amended. This development cannot be welcomed by anyone.”

Festo Corp. v. Shoketsu Kinzoku Kogyo Kabushiki Co., 172 F.3d 1361 (Fed. Cir.1999), reh=g in banc granted and judgment vacated by 187 F.3d 1381 (Fed. Cir. 1999). Without citing Sextant, a different panel of the Federal Circuit concluded that no estoppel arose where a claim amendment was made voluntarily (apparently inconsistent with Sextant). The full court vacated this decision and granted rehearing in banc (including additional briefing) on these questions:

(1) do amendments made for reasons other than avoiding the prior art give rise to prosecution history estoppel (i.e., are they “a substantial reason related to patentability?”)

(2) should a voluntary claim amendment not required by an examiner or made in response to a rejection by the examiner create prosecution history estoppel?

(3) assuming prosecution history estoppel exists, what range of equivalents, if any, is available under the doctrine of equivalents?

(4) when no explanation is made for a claim amendment, what range of equivalents, if any, is available under the doctrine of equivalents?

(5) did the Festo panel violate the “all-elements rule?”

[Rehearing in this case will likely clarify future application of the doctrine of equivalents]

Pharmacia & Upjohn Co. v. Mylan Pharm., Inc., 170 F.3d 1373 (Fed. Cir. 1999). By arguing that the use of a particular element in the patented composition was “critical,” the patent owner surrendered all compositions that did not include such an element. During prosecution, the patent owner stated that the “key feature” of the invention was in the particular type of lactose used in the composition, and that if “ordinary or nonspray-dried lactose is employed in place of the spray-dried lactose, then the advantages of the present invention are lost.” The Federal Circuit concluded that this was a clear and unmistakable surrender of any composition that lacked spray-dried lactose.

Augustine Medical, Inc. v. Gaymar Indus., Inc., 181 F.3d 1291 (Fed. Cir. 1999). Claim amendments and arguments made in a parent application were used to restrict the scope of claims appearing in later-issued patents containing the same claim limitation.

Elkay Mfg. Co. v. Ebco Mfg. Co., 192 F.3d 973 (Fed. Cir. 1999). When multiple patents derive from the same initial application, the prosecution history regarding a claim

limitation in any patent that has issued applies with equal force to subsequently issued patents that contain the same claim limitation.

4. INTERPRETING MEANS-PLUS-FUNCTION CLAIMS

Odetics, Inc. v. Storage Tech. Corp., 185 F.3d 1259 (Fed. Cir. 1999). Section 112 & 6 does not require that each component of the structure disclosed in the patent have an equivalent component in the accused device. A means-plus-function claim limitation must be met literally or by equivalents, but the claim limitation is the “overall structure” corresponding to the claimed function, not the individual components that make up the overall structure. Consequently, accused structures having different numbers of parts from the patent can still be an equivalent under ' 112 & 6. The Federal Circuit also stated that the district court misunderstood the Federal Circuit's Chiuminatta Concrete decision, which it said “did not mark a change in the proper infringement analysis under ' 112, & 6.”

Al-Site Corp. v. VSI Int'l, Inc., 174 F.3d 1308 (Fed. Cir. 1999). An important difference between equivalents under ' 112 & 6 and infringement under the doctrine of equivalents involves the timing of the analysis for an “insubstantial change.” A structural equivalent under ' 112 & 6 must have been available at the time the patent issued in order to find literal infringement; an equivalent structure or act under ' 112 & 6 cannot cover technology developed after the patent issued because the literal meaning of a claim is fixed upon its issuance. An “after-arising equivalent” infringes, if at all, under the doctrine of equivalents. In other words, an equivalent structure or act under ' 112 & 6 for literal infringement must have been available at the time the patent issued while an equivalent under the doctrine of equivalents may arise after patent issuance. An “after-arising” technology could thus infringe under the doctrine of equivalents without literally infringing under ' 112 & 6. A proposed equivalent must have arisen at a definite period in time, i.e., either before or after patent issuance. If before, a ' 112 & 6 equivalents analysis applies and any analysis for equivalent structure under the doctrine of equivalents collapses into the ' 112 & 6 analysis. If after, a nontextual infringement analysis proceeds under the doctrine of equivalents.

WMS Gaming Inc. v. International Game Tech., 184 F.3d 1339 (Fed. Cir. 1999). The holding in Chiuminatta Concrete, that a lack of equivalence under ' 112 & 6 precludes equivalence under the doctrine of equivalents, applies when the accused device uses non-equivalent structure to perform the claimed function. That principle does not apply in circumstances where there is equivalent structure, but non-identical function. In this case, the function performed by the accused device was equivalent to the claimed function, and this was sufficient to find infringement under the doctrine of equivalents.

Rodime PLC v. Seagate Tech., Inc., 174 F.3d 1294 (Fed. Cir. 1999). If a means plus function limitation recites sufficient structure to perform the recited function, it will not

be interpreted under ' 112 & 6. Rodime apparently conceded on appeal that its claim was to be interpreted under 35 U.S.C. ' 112, & 6, but the Federal Circuit independently analyzed the claim and determined that it was not to be so interpreted. [Compare with Seal-Flex, Inc. v. Athletic Track & Court Construction for different result]. Although the claim merely recited a function of moving a transducer between adjacent tracks, the district court improperly interpreted the claim to require accurate placement of a head within a track. Because the claim recited sufficient structure to perform the recited “moving” step, the claim was taken out of the scope of 35 U.S.C. ' 112, & 6.

Signtech USA, Ltd. v. Vutek, Inc., 174 F.3d 1352 (Fed. Cir. 1999). The phrase “ink delivery means” is equivalent to “means for ink delivery” and, because it is purely functional language that recites no structure, the limitation must be interpreted under 35 U.S.C. ' 112, & 6. Because the specification expressly distinguished the accused structure as being incapable of achieving the desired results of the invention, the claim was limited to the specific structure described in the specification.

Micro Chemical, Inc. v. Great Plains Chem. Co., ___ F.3d ___, 52 USPQ2d 1258 (Fed. Cir. 1999). Specific functions described in the specification should not be used to narrowly define a function recited in a means plus function limitation. In this case, the district court erred by interpreting the recited “means for weighing” to require sequential and cumulative weighing.

C. ENFORCEMENT OF PATENTS

1. PREEMPTION

Mikohn Gaming Corp. v. Acres Gaming, Inc., 165 F.3d 891 (Fed. Cir. 1998). A patent owner is entitled to send infringement letters to accused infringers without being enjoined under a state law claim, because federal patent law protects the rights of patent owners to give notice of their patent rights to accused infringers. In this case, the patent owner sent infringement letters to the accused infringer and its customers. The accused infringer (Mikohn) sued for a declaratory judgment of non-infringement and for tortious interference with business relationships, a state law claim. After the district court enjoined Acres from sending further notices, the Federal Circuit reversed the injunction, concluding that federal patent law preempted any state law claim that interfered with this right absent a showing of “bad faith.”

Midwest Indus., Inc. v. Karavan Trailers, Inc., 175 F.3d 1356 (Fed. Cir. 1999)(en banc). A patent owner’s trade dress claim against an accused infringer for the design of a trailer hitch was not barred merely because the design was also protected by a design patent. The Federal Circuit overruled earlier decisions and held en banc that it will apply its own law in determining whether state or other federal laws conflict with or are preempted by patent law. It also rejected the Tenth Circuit’s Vornado decision, which

the district court had used to conclude that trade dress protection was not available due to the patent. The Federal Circuit concluded that as long as the trade dress feature was not “functional” -- i.e., “exclusive use of the feature would put competitors at a significant non-reputation-related disadvantage,” trade dress protection was available.

Zenith Electronics Corp. v. Exzec, Inc., 182 F.3d 1340 (Fed. Cir. 1999). A federal claim for unfair competition under the Lanham Act based on a patent owner’s sending letters to potential customers suggesting that they would infringe the patent is preempted unless there is evidence of “bad faith.” Exactly what constitutes “bad faith” remains to be determined on a case by case basis.

The University of Colorado Foundation, Inc. v. American Cyanamid Co., ___ F.3d ___, 1999 WL 1045095 (Fed. Cir. Nov. 19, 1999)(No. 97-1468). Federal patent law does not preempt state law claims of fraudulent nondisclosure and unjust enrichment stemming from an inventor’s alleged concealment of a patent application that failed to name the plaintiffs as inventors. The lower decision was vacated and remanded, however, because the district court failed to apply federal inventorship standards to determine inventorship of the patented invention.

2. STATE IMMUNITY FROM PATENT INFRINGEMENT SUITS

Florida Prepaid Postsecondary Educ. Expense Bd. v. College Savings Bank, 119 S. Ct. 2199, 144 L. Ed.2d 575 (1999). In a 5 to 4 decision, the Supreme Court held that states cannot be sued for patent infringement due to immunity under the Eleventh Amendment. Because Congress failed to identify any pattern of patent infringement by the states or any widespread deprivation of property rights, it could not rely on its powers under the Fourteenth Amendment to remedy due process violations. The Supreme Court also vacated the Federal Circuit’s decision in Genentech, Inc. v. Regents of Univ. of Calif., 1999 WL 798031, for reconsideration. The Federal Circuit has requested additional briefing on that case.

Note: Sen. Leahy has drafted a bill that would override the Supreme Court’s decision in College Savings Bank by conditioning a state’s right to obtain patents on an unambiguous waiver of sovereign immunity.

3. LACHES & ESTOPPEL

Odetics, Inc. v. Storage Tech. Corp., 185 F.3d 1259 (Fed. Cir. 1999). A patent owner found guilty of laches is barred not only from obtaining damages prior to the filing of the lawsuit, but is also deprived of an injunction for any devices sold during the laches period. The patent owner can, however, recover future damages arising after the laches period (e.g., on newly manufactured or sold devices which infringe).

4. DAMAGES

Grain Processing Corp. v. American Maize Prods. Co., 185 F.3d 1341 (Fed. Cir. 1999). “Lost profits” damages were not available to a patent owner because the infringer could have used a non-infringing alternative, even though the alternative was not on the market at the time of the infringement. The infringer had the materials, experience, and know-how to produce the noninfringing substitute, but didn’t do so merely because of slightly higher costs.

5. CONTINUATION APPLICATIONS

Ricoh Co. v. Nashua Corp., 1999 WL 88969 (Fed. Cir. Feb. 18, 1999)(unpublished). The practice of filing a continuation application with broader claims than a parent application does not give rise to “intervening rights,” nor does it circumvent the reissue statute. The Court stated that “Section 120, governing continuation applications, does not contain any time limit on an applicant seeking broadened claims.”

6. APPEALABILITY OF DECISIONS

Connaught Labs., Inc. v. SmithKline Beecham, P.L.C., 165 F.3d 1368 (Fed. Cir. 1999). An order that compels a non-party witness (a federal employee) to testify in a patent infringement lawsuit cannot be appealed because it is not a “final decision.” The order can be appealed only after the witness defies the order and is cited for contempt. The Federal Circuit noted that there was no allegation of privilege, and it rejected the government’s argument that a federal employee should not be required to risk a contempt citation.

7. MISCELLANEOUS

Ohio Cellular Prods. Corp. v. Adams USA, Inc., 175 F.3d 1343 (Fed. Cir. 1999). A third party could be added to the complaint to collect attorneys fees after judgment had already been entered.

III. TRENDS

1. Expanding scope of patentable subject matter (more “methods of doing business”)
2. Increasing focus on written description requirement in patents (scope of description/enablement)

3. Further limits on infringement under the doctrine of equivalents
4. Increasing application of prosecution history estoppel
5. Further limits on scope of means plus function claims (' 112 & 6)
6. Increasing assertion of state law claims that implicate patents (tortious interference, others)
7. Increasing reliance on summary judgment motions in view of claim construction as a legal issue
8. Personal jurisdiction issues relating to sales over the Internet (“passive” vs. “active” web sites)