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Recent IP Decisions – September 2010

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Leviton Manufacturing Company, Inc. v. Universal Security Instruments, Inc. (Fed. Cir. 2010)

- *inequitable conduct*

Automedx, Inc. v. Artivent Corporation – Opposition No. 91182429 (August 17, 2010)

- *priority of use; bona fide use vs. token sales*

Princo Corp. v. International Trade Commission and U.S. Philips Corp. (Fed. Cir. 2010)

- *Patent Misuse*

Martin v. Alliance Machine (Fed. Cir. 2010)

- *Arguing non-obviousness; lack of engineering details in the claims*

Leviton Manufacturing Company, Inc.

v.

Universal Security Instruments, Inc. and USI Electronics, Inc. (Fed. Cir. 2010)

Background

10/22/2003 - Leviton filed U.S. Patent Application 10/690,776 (the “Germain Application”), claiming priority to a 2/3/2003 provisional application

- Germain and five others are co-inventors

4/19/2004 – Leviton filed U.S. Patent Application 10/827,093, which matured into the ‘766 patent

- ‘766 patent (third generation continuation) claims priority to the ‘558 patent, filed 8/20/1999
- DiSalvo and Ziegler are co-inventors

The first application (“Germain application”) and ‘766 patent have no common inventors; neither claims priority to the other

‘766 patent claimed (1999) priority date is 3.5 years before Germain application’s claimed priority

Many nearly identical claims

- *e.g.,* the only difference between two claims in the applications is that the ‘766 patent claims “at least one moveable bridge” and the Germain application claims “a movable bridge.”
- various identical dependent claims

During prosecution of the '766 patent, Leviton failed to disclose the Germain application

Two months after the '766 patent issued, Leviton disclosed the '766 patent and thirty other references during prosecution of the Germain application

September 2005 – PTO issues double patenting rejection of the Germain application → Leviton then canceled the similar claims

6/6/2005 – reexamination of the '766 patent requested

- Germain application not disclosed during reexamination
- Claims confirmed
- Requestor appealed
- Leviton's appeal brief did not cite Germain application or related litigation (though it had been aware of inequitable conduct allegations for over a year)

- Leviton submitted memorandum entitled "Information Disclosure Statement," on 8/7/2007 (after the litigation commenced) that references Germain application, saying that the application was not material
  - Memorandum, according to CAFC "is not formally an IDS because it does not meet any of the requirements for an IDS"
- Leviton submitted several other standard PTO IDS forms that comply with PTO rules in prosecuting the '766 patent, **but these did not cite Germain application**

November 2007 – Leviton moves to dismisses

- Leviton’s reason: because it had forced defendant to stop selling the infringing products
- Defendant: argues that Leviton moves to dismiss to avoid a finding that the patent is unenforceable

District court dismisses with prejudice and grants a motion for fees and costs, finding that Leviton engaged in inequitable conduct

- District Court: granted summary judgment based on inequitable conduct by Leviton
- CAFC: reviewed the district court's decision to grant summary judgment for inequitable conduct *de novo*

Inequitable conduct

- To prevail, must show that applicant (1) made an affirmative misrepresentation of material fact, failed to disclose material information, or submitted false material information; and (2) intended to deceive the PTO

- Information is material if there is a substantial likelihood that a reasonable examiner would consider it important in deciding whether to allow the application
- Here, Germain application was material
  - Germain application material to inventorship
    - Reasonable examiner would want to know if 2 different applications had 2 different sets of inventors that claimed the same invention.
    - Which inventors actually conceived of the invention?

Intent to deceive

- Leviton argues that the judge made an improper inference of an intent to deceive
  - At minimum, genuine issues of material fact preclude summary judgment of inequitable conduct
  - During deposition, attorney stated that Germain application was not material to patentability because it was not a prior art reference

Federal Circuit vacated grant of SJ and remanded

- Failure to inform the PTO of the Germain application and related litigation was an omission **but not an affirmative representation**
- Omission here was not enough to support SJ on inequitable conduct judgment
- Found that there were genuine issues of material fact which preclude summary judgment for inequitable conduct → remanded for an evidentiary hearing.
- Explanation given by Leviton's litigation counsel was not unreasonable as a matter of law
- Even if the nondisclosed information is of “relatively high materiality,” however, inequitable conduct cannot be found where “[the patentee] offer[s] a plausible, good faith explanation for why [the nondisclosed information] was not cited to the PTO.”

Automedx, Inc. v. Artivent Corporation

Opposition No. 91182429 (August 17, 2010) [precedential]

Issue:

- Test sales for legitimate commercial purposes vs. token sales
  - Whether earlier sale of ventilators for purposes of testing and refinement is sufficient for claiming priority of use
  - Did this constitute bona fide use?
    - Board: YES

Background

- ***October 2006:*** Applicant filed ITU application for the mark SAVE
  - Goods: medical devices, . . . Ventilators
- Opposer opposed the registration based on priority of use, likelihood of confusion
- Applicant was entitled to claim the filing date of its ITU application, October 10, 2006, as its date of first use.
- Opposer relied on sales prior to that date, which sales were "made for purposes of testing and were completed prior to FDA approval of opposer's ventilators for human use.“
  - Applicant: those sales did not constitute bona fide use or lawful use.

- ***April 2005:*** Opposer delivered first prototypes of its ventilators to the Air Force Protection Battle Lab
- ***August 2006:*** Opposer filled a 2nd order for the ventilators
  - Ventilators displayed opposer's mark; operator's manual included opposer's mark
  - Ventilators that were shipped were not FDA approved for human use – the prototypes indicted this
- September 2007: FDA granted approval

- Did these sales activities constituted bona fide use of the mark?

Board:

- Found that the initial sales in April 2005, August 2006 were test models used to perfect the opposer's ventilator for human use
  - Prototypes went through testing involving animals to test safety of the device

Section 45 of the Trademark Act, 15 U.S.C. §1127:

- defines “use in commerce” as the “bona fide use of a mark in ordinary course of trade, and not merely to reserve a right in a mark.”

- sale/sales made cannot be “token” in the sense that they are artificially made solely to reserve a right in a mark and not made as part of a usual product or service launch.

- “use in commerce” may vary across different industry practices
- Even test marketing has been recognized as being sufficient to qualify as use of a mark
- Here, the April 2005/August 2006 sales were for legitimate business reasons – to test and refine the ventilators; not merely to reserve the right to register the marks

Applicant's arguments:

- Opposer did not have FDA approval to sell its ventilators for human use until Sept. 2007
- Thus, any prior use was not in connection with medical devices
  - Opposer was trying to rely on sale of prototypes not intended for human use to est. priority with respect to medical devices intended for human use
- Board: disagreed; prototypes sold for legitimate testing purposes; sales were mutually beneficial

Applicant:

- April 2005 sale not supported by documentary evidence
  - Board: oral testimony, if sufficiently probative, is normally sufficient to est. priority of use in a TM proceeding
  - Here, the oral testimony was consistent and definite

Applicant:

- Sales did not constitute lawful use of the mark
  - Prototypes did not have FDA approval at the time

- Determining whether the use of a mark is lawful under one or more of the myriad of regulatory acts involves two questions:
  1. whether a court or government agency having competent jurisdiction under the statute involved has previously determined that party is not in compliance with the relevant statute; or
  2. whether there is a per se violation of a statute regulating the sale of a party’s goods.

General Mills Inc. v. Healthy Valley Foods, 24 USPQ2d 1270, 1273 (TTAB 1992)

- Here, no per se violation of FDA violations
- Board: the prototypes did require FDA approval in order to constitute bona fide use of the mark in commerce
- While not sold for human use, they were bona fide sales
    - No perceptible violation of any laws or regulations

Princo Corp. v. International Trade Commission and U.S. Philips Corp. (Fed. Cir. 2010)

- Technology at issue – 2 types of digital storage devices: CD-Rs and CD-RWs
  - Standards relating to CD-Rs/CD-RWs were known as the “Orange Book” standards.
  - CD-R/RW technology developed mainly by Philips + Sony working in collaboration → developed Orange Book Standards

- CD-R/RW feature at issue: how to encode position information in the disc for positioning during the writing process
- Sony & Philips developed 2 solutions
  - 1) analog method – covered by “Raaymakers patents”
  - 2) digital method – covered by the “Lagadec patent”

- Sony & Philips decided that the Raaymakers approach was better than the Lagadec approach
  - Simple, less prone to error
  - Easier to implement

- Sony & Philips offered different license packages for manufacturing CD-R/RW discs in compliance with the Orange Book standards

- Princo entered into a license agreement with Philips; later stopped paying the licensing fees
  - License agreement covered both encoding methods
  - Filed a complaint with the ITC, claiming that patent misuse

Princo:

- Argued that Philips improperly forced Princo and other licensees, as a condition for licensing patents necessary to manufacture CD-R/RWs, to take licenses to patents that were not necessary to manufacture those products

Procedural History:

- Administrative Law Judge: agreed and held the Philips patents unenforceable due to patent misuse
  - Held that the license agreements constituted impermissible tying arrangements involving extraneous patents
- The Commission affirmed.
  - The practice was improper; didn't allow licensees to license individual patents
- CAFC: reversed (*U.S. Philips Corp. v. Int'l Trade Comm'n* (***Philips I***), 424 F.3d 1179 (Fed. Cir. 2005)

Procedural History:

- On appeal by Princo, the CAFC ruled against the Commission and Philips – *Princo Corp. v. Int'l Trade Comm'n*, 563 F.3d 1301 (Fed. Cir. 2009)
  - Court remanded the case for further proceedings on one issue.
- The court granted petitions for rehearing en banc.
  - Various issues raised, but the court only addresses one issue – whether the type of conduct by Philips gives rise to the defense of patent misuse
  - CAFC: No

Basic Rule of Patent Misuse:

- "... that the patentee may exploit his patent but may not '*use it to acquire a monopoly not embraced in the patent*.'" *Transparent-Wrap Mach. Corp. v. Stokes & Smith Co.*, 329 U.S. 637, 643 (1947).
- CAFC: defense of patent misuse not available to a presumptive infringer simply because a patentee engages in some kind of wrongful commercial conduct, even conduct that may have anticompetitive effects.
- The misuse must be <u>of the patent in suit</u>.
  - An antitrust offense does not necessarily amount to misuse merely because it involves patented products or products which are the subject of a patented process.

- While proof of an antitrust violation shows that the patentee has committed wrongful conduct having anticompetitive effects, that does not establish misuse of the patent in suit unless the conduct in question **restricts the use of that patent** and does so in one of the specific ways that have been held to be outside the otherwise broad scope of the patent grant.

Issue:

- Whether the agreement by Philips and Sony to restrict availability of the Lagadec patent constitutes patent misuse?
- When a patentee offers to license a patent, does the patentee misuse **that patent** by inducing a third party not to license its separate, competitive technology?
  - No

- Here, Philips is not imposing restrictive conditions on the use of the Raaymakers patents to enlarge the physical or temporal scope of those patents.

- Instead, the alleged act relates to the horizontal agreement between Philips and Sony to restrict the availability of the Lagadec patent – **an entirely different patent** that was never asserted in the infringement action against Princo.

- CAFC: “patent leverage” – the use of the patent owner to impose over-broad conditions on the use of the patent in suit that are “not within the reach of the monopoly granted by the Government.”
  - Here, Princo failed to show that Philips unlawfully leveraged Raaymakers patents.

- At minimum, **the patent in suit** must “itself significantly contribute[] to the practice under attack.”

- No patent misuse where there is “no connection” between the patent right and the misconduct in question

- Here, there is no such link between the alleged misconduct and the Raaymakers patents.

Outcome:

- Patent misuse does not apply here and Princo is not immunized against its acts of infringement.

- Princo failed to show that Philips unlawfully leveraged its Raaymakers patents

- Also, Princo failed to establish that the alleged agreement to suppress **the Lagadec technology** had anticompetitive effects.

Martin v. Alliance Machine (Fed. Cir. 2010)

Background:

- U.S. Patent No. 6,655,566 directed to an improvement over traditional bundle breakers
  - Provides “compliance structures” that allow a bundle breaker to simultaneously break multiple stacks of cardboard logs

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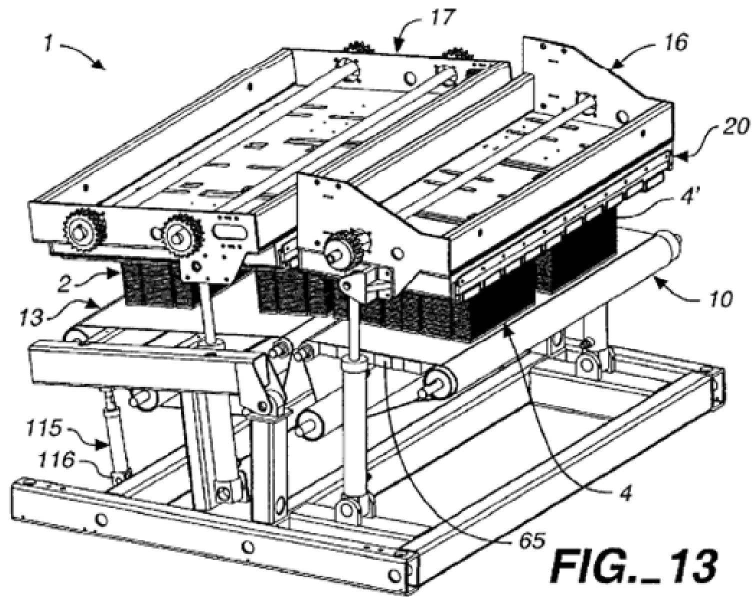


FIG._13

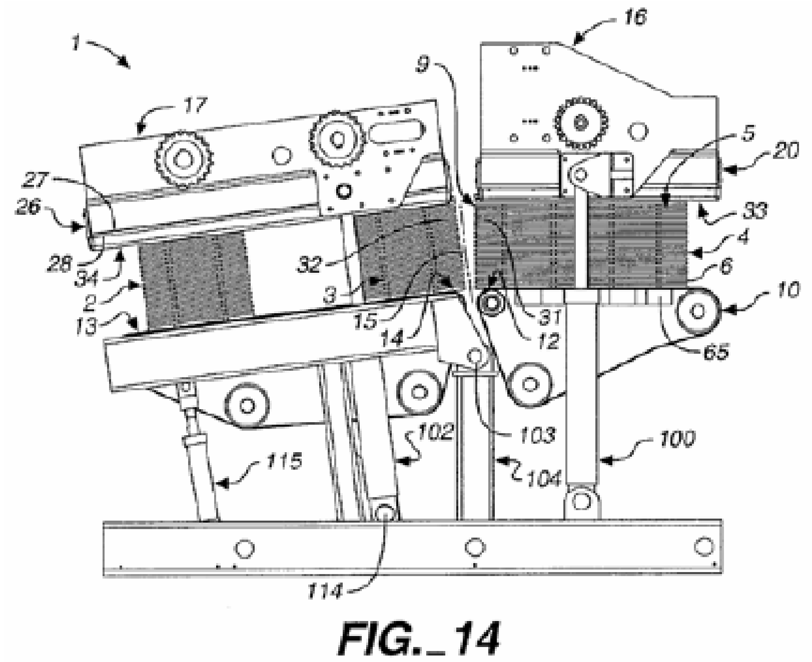
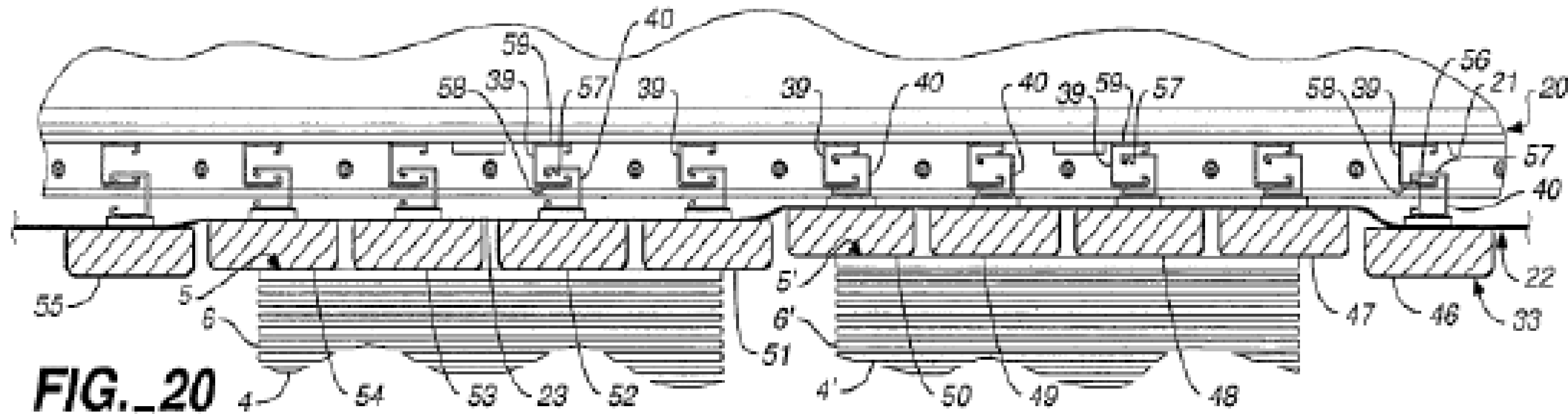


FIG._14

- Bundle breakers were well known in the art when the application for the ‘566 patent was filed
- Various shortcomings in multiple-log approaches
  - Unequal pressure due to uneven stacks of cardboard
  - Insufficient pressure on shorter logs → can cause shifting of the logs

‘556 patent claimed “compliance structure”:



Compliance structure (20) includes a fluid-pressurized structure (21) connected to a series of rigid members (46-55) through a flexible member (22)

- Claim 1 drafted in Jepson format:

- 1. ***<u>An improvement in a bundle breaker</u>*** for separating bundles from a log having a generally planar top surface, said log including a plurality of sheets each having a generally planar top surface and each sheet is formed with at least one weakened line, said weakened lines are vertically aligned in said log forming a weakened plane in said log, said bundle breaker including a first conveyor for conveying said log and having an upstream end for receiving said log and a downstream end, and a second conveyor having an upstream end positioned immediately adjacent to said downstream end of said first conveyor providing a gap therebetween defining a bundle breaking plane, said bundle breaker including first clamp means mounted for vertical reciprocating movement above said first conveyor, and second clamp means mounted above said second conveyor for vertical reciprocating movement in relation to said second conveyor and said second conveyor and said second clamp means mounted for conjoint pivotal movement in relation to said bundle breaking plane for progressively breaking a bundle from said log along said weakened plane in said log, ***<u>said improvement comprising:</u>***
  - a. ***<u>a first compliance structure</u>*** mounted on said first clamp means including, (1) a first fluid pressurized structure having a first flexible member presenting a first engagement area for operative engagement with an upstream portion of said generally planar top surface of said log and on the upstream side of said weakened plane in said log; and
  - b. ***<u>a second compliance structure</u>*** mounted on said second clamp means including, (1) a second fluid pressurized structure having a second flexible member presenting a second engagement area for operative engagement with a downstream portion of said generally planar top surface of said log and on the downstream side of said weakened plane in said log.

- Thus, the preamble describes prior art bundle breakers
    - The improvement comprises the compliance structure mounted on each upper clamp
- Assignee of the ‘566 patent sued Alliance in 2007 for infringement
- District Court: granted JMOL motion on invalidity; found that both primary and secondary considerations weighed in favor of finding obviousness

- Alliance asserted 3 bundle-breaking machines as prior art:
  1. Pallmac Machine – rigid members rested on an elongated air bag to provide floating rigid members; clamped incoming cardboard logs from the bottom rather than from the top
  2. Visy Machine – U-shaped grippers attached to upper clamping mechanism with air bags inside the grippers
  - Assignee of ‘556 patent stipulated at trial that Visy Machine contains the “fluid-pressurized structure” and “flexible member” features of claim 1

Assignee of '556 patent:

- Argued that Visy machine did not render claims obvious because it did not contain a working compliance structure
  - Points to testimony of engineer for Visy → testified that the air bag clamping feature did not work (at speeds needed to commercially produce the products)
  - The high pressure needed damaged the cardboard logs

3. Tecasa Machine

- At trial, parties stipulated that this machine met every limitation
  - However, the assignee of ‘566 patent was able to swear behind the machine
  - District Court: Tecasa machine eliminated as prior art, but relied on the machine to “plainly show ‘simultaneous invention’ as an indicia of obviousness”

- Federal Circuit: affirmed district court’s decision
- <u>Finite number of predictable solutions</u>
  - Assignee’s own expert – only a discrete number of possible design options for location of the compliance structure – top, bottom, or both top/bottom

- Assignee: can't simply flip the Pallmac design from bottom to top
- Federal Circuit: irrelevant to obviousness analysis; issue is that the claims fail to recite "engineering details" → claims merely require compliance structure be mounted above conveyor belts
  - "a. a first compliance structure ***mounted on said first clamp means*** including, (1) a first fluid pressurized structure having a first flexible member presenting a first engagement area for operative engagement with an upstream portion of said generally planar top surface of said log and on the upstream side of said weakened plane in said log; and . . ."

Assignee:

- Visy machine did not work for its intended purpose

Federal Circuit:

- Rejected that argument
- Under an obviousness analysis, a reference need not work to qualify as prior art; "it qualifies as prior art, regardless, for whatever is disclosed therein." *Amgen Inc. v. Hoechst Marion Roussel, Inc.*, 314 F.3d 1313, 1357 (Fed. Cir. 2003).
- "Even if a reference discloses an inoperative device, it is prior art for all that it teaches." *Beckman Instruments, Inc. v. LKB Produkter AB*, 892 F.2d 1547, 1551 (Fed. Cir. 1989).

Federal Circuit:

- Visy machine teaches a “compliance structure”
  - District court construed “compliance structure” as a structure that deforms to allow a more uniform distribution of force → Visy machine included this structure

Assignee:

- Argued that Visy machine failed to provide reliable breaking of multiple logs of uneven heights; prior art approaches damaged the boards

Federal Circuit:

- Body of the clam defines the extent of the claimed improvement
- Patentee should have explicitly claimed an improvement that included a structure for “reliable breaking” *measured against some kind of commercial production standard*

- The Visy machine did work, just not a “production speed.”
- Patentee should have claimed a threshold throughput or commercial speed

Federal Circuit:

- Also took into consideration the Tecasa machine → inventors of '566 patent reduced the invention to practice as early as 2001; Tecasa was known in the U.S. in 2002
- Still constitutes as near "simultaneous invention" made within a comparatively short, space of time
    - Significant because this might show that the claimed invention was the product of ordinary engineering skill.
- Court took into consideration the existence of the other 2 machines (the existence of the Tecasa by itself probably wouldn't have been sufficient)