

ADDITIONAL DEVELOPMENTS—PATENT

J.E.M. AG SUPPLY, INC. v. PIONEER HI-BRED INTERNATIONAL, INC.

534 U.S. 124 (2001)

The United States Supreme Court ruled on the patentability of newly developed plant breeds pursuant to 35 U.S.C. § 101.

Pioneer holds patents for both inbred corn plants and hybrids produced by crossing the protected inbred line with another corn line. Pioneer sold its patented hybrid seeds to J.E.M. under a strict license for producing grain and/or forage only. J.E.M. however, resold those seeds. Pioneer brought suit claiming patent infringement. J.E.M. counterclaimed patent invalidity, arguing that sexually reproducing plants are not patentable subject matter within the scope of 35 U.S.C. § 101. Relying on *Diamond v. Chakrabarty*, 447 U.S. 303 (1980), the district court granted summary judgment to Pioneer and held that subject matter covered by § 101 clearly includes plant life. The district court further determined that in enacting the Plant Patent Act of 1930 (PPA) and the Plant Variety Protection Act (PVPA), Congress neither expressly nor implicitly removed plants from § 101's coverage. The Federal Circuit affirmed.

The U.S. Supreme Court affirmed, also holding that newly developed plant breeds fall within the terms of § 101 and that the PPA and the PVPA do not provide exclusive means of protecting new varieties of plants. The Court first reiterated the *Chakrabarty* holding that the distinction for purposes of § 101 is not between living things and inanimate things, but between products of nature, whether living or not, and human-made inventions. Therefore, human-made plant varieties should be under the broad scope of § 101. In terms of PPA, the Court found that the limitation to asexually reproduced plants in the original 1930 text only reflected a practical understanding of plant reproduction at that time, and that the recodification in 1952 was only a housekeeping measure. The Court concluded that PPA does not indicate Congress's intention to deny sexually reproduced plants patent protection under § 101. In terms of PVPA, the Court found no statement in PVPA that suggests it to be the exclusive means of protecting sexually reproducing plants. In addition, the Court noted that it is more difficult to obtain a utility patent than a certificate under PVPA (PVP certificate), and correspondently, more protection is afforded by a utility patent than a PVP certificate. Although PVPA and § 101 overlap, they are not irreconcilable. Therefore, the Court found "repeal by implication" is not justified in this case. Lastly, the Court noted that Patent and Trademark Office has assigned utility patents for plants for over 16 years, and Congress never showed any disagreement. For these reasons, the Court declined to narrow the reach of § 101.

RHONE POULENC AGRO, S.A. v. DEKALB GENETICS CORP.*284 F.3d 1323 (Fed. Cir. 2002)*

In a case involving patent infringement by a sublicensee, the Federal Circuit held that a nonexclusive sublicensee may not retain its interest in a patent when the grantor licensee's license is voided due to fraud. The court specifically rejected the bona fide purchaser defense in this situation.

U.S. Patent No. 5,510,471 (the '471 patent) covers an optimized transit peptide (OTP) with a particular maize gene that has utility in growing herbicide-resistant corn plants. In a previous suit, the patent holder, Rhone Poulenc Agro, S.A. (RPA), sued a licensee, DeKalb Genetics Corp., for fraud in procuring a license for the '471 patent. The district court found for RPA, and voided the license. *Rhone Poulenc Agro, S.A. (RPA) v. DeKalb Genetics Corp.*, 272 F.3d 1335 (Fed. Cir. 2001). RPA then sued Monsanto, who had entered into a sublicense with DeKalb for the '471 patent.

Monsanto raised a bona fide purchaser defense. According to Monsanto, it paid value for the sublicense without the knowledge of any wrongdoing by DeKalb, and therefore its sublicense should survive the voidance of the license between RPA and DeKalb. The district court granted summary judgment in favor of Monsanto, and a panel of the Federal Circuit affirmed. The ruling relied primarily on *Heidelberg Harris, Inc. v. Loebach*, 145 F.3d 1454 (Fed. Cir. 1998), in which the Federal Circuit applied the bona fide purchaser doctrine to uphold a patent license when the original patent assignment was voided due to fraud.

The Federal Circuit, upon petition of RPA, reviewed *en banc* the limited question of whether *Heldelberg* is binding in the instant case. Finding that in *Heldelberg* the parties did not contest the applicability of the bona fide purchaser doctrine, the *en banc* court held that *Heldelberg* is not binding authority on the bona fide purchaser issue in the context of patent licenses.

Freed from *Heldelberg*, the original panel in the present decision reconsidered the bona fide purchaser defense and rejected its application in the instant case. The court found that the bona fide purchaser defense as codified in 35 U.S.C. § 261 does not apply to the instant case, since that statute is limited to situations in which the patent owner makes inconsistent assignments, grants, or conveyance to two entities. In addition, the court held that although the bona fide purchaser defense to patent infringement is a matter of federal law, its creation should be informed by the state common law regarding the same doctrine. Finding that in state common law the bona fide purchaser defense has only been applied to holders of property title and never to holders of a mere contract right, the panel reasoned that the same principle should be applied to patent rights. Finally, the court held that even if common law extended the protection of the bona fide purchaser rule to holders of exclusive licenses, it would not be appropriate for the court to extend it to non-exclusive licenses as a matter of federal common law, because 35 U.S.C. § 261 reflects the determination of the Congress to only protect those with assigned, granted, or conveyed patent rights. Based on these considerations, the Federal Circuit vacated the decision of the district court and remanded it for further proceedings.

***CATALINA MARKETING INTERNATIONAL, INC. V.
COOLSAVINGS.COM, INC.***

289 F.3d 801 (Fed. Cir. 2002)

The Federal Circuit held that language found only in the preamble, and not the body, of the claim, did not limit the scope of the claim.

Catalina owns U.S. Patent No. 4,674,041 (the '041 patent), which claims a coupon selection and distribution system using kiosk-like terminals connected to a central host computer system. Claim 1 contains the language "located at pre-designated sites such as consumer stores" in its preamble, and Claim 25 contains the same language in both its preamble and body. Coolsavings later received U.S. Patent No. 5,761,648 (the '648 patent) for a web-based coupon distribution system. Catalina sued Coolsavings for infringing the '041 patent. The district court construed "pre-designated sites" to be a limitation on both claims 1 and 25, thereby ruled that Coolsavings did not infringe the '041 patent, literally or by equivalents.

Catalina appealed, and the Federal Circuit vacated the district court's construction of claim 1, but affirmed the construction of claim 25. The Federal Circuit ruled that the claims, specification, and prosecution history of the patent demonstrated that the preamble phrase, "located at pre-designated sites such as consumer stores," does not serve as a limitation to the apparatus described in Claim 1. Catalina did not rely on the preamble phrase to define its invention, nor is the phrase essential to understanding limitations or terms in the body of the claim. The specification, which referenced terminals and their locations, did not indicate that the location of the terminals was an additional structure for the claimed terminals. Moreover, Catalina did not rely on the preamble phrase to distinguish it from the prior art during patent prosecution. In fact the examiner expressly stated that the location of the terminals was not patentably significant. Finally, the body of the claim defines a structurally complete invention without the disputed preamble phrase. Thus, the Federal Circuit construed the preamble phrase as merely giving a possible intended *use* for the claimed terminals. Based on this determination, the Federal Circuit vacated the district court's ruling of noninfringement of Claim 1.

In contrast to claim 1, since the disputed phrase was included in the body of claim 25, as well as in its preamble, the court held that the phrase limited Claim 25. In construing the disputed phrase, the Federal Circuit held that the phrase "located at pre-designated sites such as consumer stores" requires designation of the physical site of the terminal before locating the terminal at that site. The Coolsavings' system does not designate the physical position of computers connecting to its website; therefore, the Federal Circuit affirmed the district court holding that Coolsavings' system does not literally infringe Claim 25, but vacated and remanded the holding of noninfringement by equivalents.

HARRIS CORP., INC. V. ERICSSON, INC.*194 F. Supp. 2d 533 (N.D. Texas 2002)*

The United States District Court for the Northern District of Texas held that an ambiguous offer to sell does not satisfy the summary judgment standard to invalidate a patent under the on-sale bar.

Harris Inc., the owner of U.S. Patent No. 4,599,732 (the '732 Patent), sued Ericsson, Inc. for infringement of the '732 patent. Ericsson filed a Motion for Partial Summary Judgment of Invalidity, asserting that all claims of the '732 patent were invalid under the "on-sale bar" as set forth in 35 U.S.C. § 102(b). The '732 patent relates to a technique for synchronizing data that is transferred through, for example, a modem. The '732 patent was filed in April of 1984. Thus, the critical date for the "on-sale bar" for the '732 patent is April of 1983. In September of 1982, months before the April 1983 critical date, Harris Inc. entered into a contract to investigate and design an HF modem for the U.S. Army. Under that U.S. Army contract, Harris agreed to sell an HF modem to the U.S. Army and was required to deliver two test modems. The HF modem was delivered in the first quarter of 1984 and, as delivered, embodied the synchronization techniques of the '732 patent.

Harris contends that it did not decide to include the synchronization techniques of the '732 patent in the HF modem until after the critical date. They claim that the '732 invention was developed in the course of performing the contract, and they specifically modified the plan for the HF modem to include the invention after the April 1983 critical date. Harris offered as evidence two quarterly reports they had sent to the U.S. Army detailing progress on the HF modem. The first, a January 1983 quarterly report that was filed before the April 1983 critical date, discussed "changes" in the modem but stated the technique to be used for synchronization was not yet determined. The second, an October 1983 quarterly report that was filed after the critical date, contains the first discussion of inclusion of the synchronization technique of the '732 patent in the HF modem.

The court stated that the standard for determining invalidity under the on-sale bar is whether the evidence objectively shows that the invention was offered for sale. The court agreed with Ericsson's statement that an offer can exist even though the details of the invention are not disclosed to the purchaser, and even if the seller does not recognize that they are selling the invention at the time it is sold. However, the court distinguished Harris's case from these situations because, if Harris's contention is true, it is not that they didn't recognize they were selling the invention, but that they lacked the understanding necessary to implement the invention as part of the HF modem they were selling until after the critical date. Thus, if inclusion of the '732 synchronization method in the modem was not contemplated until after the critical date, even though the contract to sell the modem existed, Harris's patent would not be invalid under the on-sale bar. The court found that the quarterly reports from 1983 could support Harris's contention that an issue of fact existed. The court further noted that allowing such ambiguous circumstances to constitute an offer for sale and invalidate a patent would make the law less clear, which is contrary to recent Federal Circuit case law.

GENTILE V. FRANKLIN SPORTS, INC.*211 F. Supp. 2d 334 (D. Mass. 2002)*

The United States District Court for the District of Massachusetts ruled on who bears the burden of proving that a patent claim has been narrowed by representations made in its prosecution history.

Plaintiff Robert Gentile is the owner of U.S. Patent No. 5,722,906 (the '906 patent) on a "Game Ball" that contains a non-toxic liquid antifreeze. Defendant Franklin manufactures a street hockey ball containing a salt calcium chloride dissolved in water. Although the defendant admitted that calcium chloride is a non-toxic liquid antifreeze, it nevertheless claimed non-infringement of the '906 Patent. Defendant argued that the '906 patent is limited to recreational vehicle antifreeze in a ball and excludes coverage of salt water solutions. Magistrate Judge Dein granted the plaintiff's summary judgment motion on patent infringement, and District Court Judge Gertner agreed. Judge Gertner wrote separately to address the burden issue regarding claim construction in light of the Supreme Court's *Festo* opinion.

Judge Gertner held that claim construction in light of prosecution history is different from prosecution history estoppel that bars the doctrine of equivalents. The former is a preliminary step in determining literal infringement, and the latter is relevant only after the claims have been properly interpreted and no literal infringement is found. Therefore, the *Festo* court's placement of the burden on the patentee to prove that she did not relinquish the particular equivalent in question during claim amendment is irrelevant to the placement of burden on claim construction. Since a claim should be read in its ordinary meaning by one of ordinary skill in the art, Judge Gertner concluded that a defendant seeking to narrow the claim by arguing that the patentee has relinquished a potential claim construction based on the plain, ordinary meaning of the language of the claims bears the burden of overcoming a heavy presumption in the patentee's favor. Judge Gertner reasoned that this allocation of burden is consistent with *Festo* in that it places the burden on the party seeking to change the scope of patent protection from what the ordinary, plain meaning of the claim language would otherwise grant.

*JUICY WHIP, INC. v. ORANGE BANG, INC.**292 F.3d 728 (Fed. Cir. 2002)*

The Federal Circuit in a two-to-one decision reaffirmed a high standard of proof that a defendant must meet in order to invalidate a patent by prior use.

Both Juicy Whip and Orange Bang are manufacturers of beverage dispensers. A “post-mix” beverage dispenser stores syrup concentrate and water in separate locations until the beverage is ready to be dispensed. In contrast, the syrup and water are pre-mixed and the beverage is stored in a display reservoir bowl in a “pre-mix” beverage dispenser. The reservoir bowl in a “pre-mix” dispenser has the advantage of inducing consumer impulse, but suffers from contamination problems and requires frequent cleaning. Juicy Whip, Inc. owned U.S. Patent No. 5,575,405 (the ‘405 patent) that claims a “post-mix” dispenser with a display reservoir bowl similar to a “pre-mix” one. Since the liquid in its display bowl had no functional purpose, it can be made bacteria resistant. The ‘405 patent therefore combines advantages of both systems. Orange Bang manufactured a beverage dispenser that infringed Juicy Whip’s ‘405 patent, but Orange Bang claimed that the ‘405 patent is invalid due to prior use and inequitable conduct.

The district court originally granted summary judgment of invalidity based on lack of utility pursuant to 35 U.S.C. § 101. On appeal, the Federal Circuit reversed and remanded. Following a jury trial, the district court once again found Juicy Whip’s ‘405 patent invalid because Orange Bang presented evidence that the patented invention was in public use more than one year prior to the filing of the application leading to the ‘405 patent. Specifically, six witnesses testified that they had seen two different types of anticipatory beverage dispensers in either 1983 or 1988. In addition, the jury also found the ‘405 patent unenforceable because Juicy Whip withheld material information from the Patent and Trademark Office (the PTO) during prosecution.

Juicy Whip appealed and the Federal Circuit reversed on both holdings. The Federal Circuit reaffirmed that clear and convincing evidence is required to invalidate a patent by prior public use within the meaning of § 102(b). Specifically, the court stated that in order to invalidate: (1) the prior publicly used subject must meet each limitation of the claim and (2) oral testimony must be corroborated. As to the first element, the Federal Circuit found that Orange Bang did not present an element-by-element comparison between the claims of the ‘405 patent and the asserted prior dispensers. One limitation in the claims of the ‘405 patent was not clearly present in the prior dispensers. As to the second element, the court found that the six witnesses in the jury trial were interested parties whose oral testimony was uncorroborated by physical evidence. Therefore, the court concluded as a matter of law that the evidence presented was insufficient to meet the clear and convincing standard. The court further rejected the inequitable conduct claim. The court found that Juice Whip either lacked intent to deceive the PTO or withheld information that is immaterial to the patentability of the ‘405 patent.

MASCO CORP. V. UNITED STATES*303 F.3d 1316 (Fed. Cir. 2002)*

The Federal Circuit reviewed a summary judgment for the defendant on a patent infringement suit. Particularly, the court ruled on whether 35 U.S.C. § 112, paragraph 6 should have been invoked for a step of “transmitting a force.”

Plaintiff patentee sued the United States for use of locks that patentee asserted were encompassed by method claims in two of its patents. In the Markman hearing, the Court of Federal Claims ruled that the step of “transmitting a force” recited in the method claims should be construed under 35 U.S.C. § 112, paragraph 6. The court reasoned that “transmitting a force” recited a function and not an act, therefore the “steps of a function” language invokes means-plus-function interpretation.

On appeal, the Federal Circuit reversed the lower court’s means-plus-function interpretation. The court stated that use of the phrase “step for” signals the patentee’s intent to invoke the statute, and, thus, creates a presumption that the claim should be interpreted accordingly. However, use of the phrase “step of” does not create a presumption of invoking step-plus-function interpretation. The court reasoned that this rule of interpretation is preferred because many patentees use the phrase “step of” without intending to invoke the statute, and courts should be wary of disrupting the expectations of the inventing community. Further, regardless of the exact language used, a step is interpreted under the statute only when function without act is recited in the step. In the present case, the court found that “transmitting a force” described how the step was carried out, not simply what the step accomplished. Accordingly, the court ruled that “transmitting a force” described an act and not a function, and so should not invoke 35 U.S.C. § 112, paragraph 6 for interpretation.

***SYMBOL TECHNOLOGIES, INC. V. LEMELSON MEDICAL,
EDUCATION & RESEARCH FUND, LLP***

277 F.3d 1361

The Federal Circuit decided to allow the defense of prosecution laches “to bar enforcement of patent claims that issued after an unreasonable and unexplained delay in prosecution, even though the applicant complied with pertinent statutes and rules.” The court found that patents that were unexpired in 1998 but that claimed priority to the early 1950s, so-called “submarine patents,” were not enforceable.

The plaintiffs, Symbol Technologies, Inc. and Cognix Corporation, manufacture and sell bar code scanners. The defendant, the Lemelson Medical, Education, & Research Foundation, is the assignee of a number of patents of Jerome Lemelson. In 1998, the defendants sent letters to customers of the plaintiffs, stating that the bar code products they were using infringed a number of the Lemelson patents. The patents all claimed priority to two applications, which were filed in 1954 and 1956. Symbol and Cognix, sought declaratory judgment that the patents at issue were invalid, unenforceable, and not infringed by them or their customers. One of their defenses was prosecution laches, which the United States District Court for the District of Nevada dismissed, concluding the defense was unavailable as a matter of law.

The Federal Circuit reversed. The court found precedent for the defense of laches in two early Supreme Court cases: *Woodbridge v. United States*, 263 U.S. 50 (1923) and *Webster Electric Co. v. Splitdorf Electrical Co.* 264 U.S. 463 (1924). The Court in *Woodbridge* held that Woodbridge forfeited his right to a patent due to unexplained delay because he waited nine years to inform the patent office that they had inadvertently not issued the patent after a requested one-year delay. In *Webster*, the two claims that were the subject of the litigation had been filed after the inventor lost an interference proceeding and were added by an amendment to a divisional application eight years after the original patent application was filed, and, as the Court in *Webster* noted, after their subject matter was disclosed and in general use. The court in *Webster* held those claims unenforceable because of unreasonable delay.

The Federal Circuit also cited *Crown Cork & Seal Co. v. Ferdinand Gutmann Co.*, 304 U.S. 159 (1938) and *General Talking Pictures Corp. v. Western Electric Co.*, 304 U.S. 175 (1938) as evidence of the Supreme Court’s ratification of the prosecution laches defense. The Federal Circuit noted that in both of these cases, the presence or absence of intervening rights was an important factor in the application of the prosecution laches defense.

Lemelson first argued that *Webster* was only applicable to cases in interference proceedings. The Federal Circuit dismissed this argument, stating that the Court in *Webster* “was more concerned with the reasonableness of the delay between the initial filing of the application and the subsequent filing of claims 7 and 8 than it was with the interference.”

Lemelson also argued that congress’s passage of sections 120 and 121 of the patent code, which allow continuation and divisional applications, and gives them priority to the original application, eliminated the defense of laches. The court rejected this argument by careful examination of the legislative history of the 1952 Patent Act. An important commentary on the act, written by one of its original drafters, P.J. Federico, stated that the wording of section 282 would include equitable defenses such as laches, estoppel and unclean hands. Thus, the court concluded that the defense of prosecution laches was

unaltered by the passage of the Act. The court also rejected Lemelson's argument that two non-precedential opinions rejecting the defense of prosecution laches should be binding.

Judge Newman argued in her dissent that courts should not intervene in the continuation practice allowed by statutes. She maintained that this ruling will now require patentees to do more than is required by the statutes, which will create uncertainty and additional litigation. Judge Newman also attacked the majority's reliance on *Woodbridge* and *Webster*, which she found distinguishable from the instant case. She noted that *Woodbridge* had already lost his statutory rights to the patent, and that in *Webster* "the applicant presented, in a divisional application, claims covering subject matter in an adverse patent, five years after issuance of the adverse patent, which the applicant had previously lost on interference."

***ELAN PHARMACEUTICALS, INC. V. MAYO FOUNDATION FOR
MEDICAL EDUCATION AND RESEARCH***

304 F.3d 1221 (2002)

The Federal Circuit considered whether a prior art disclosure that provided general instructions for producing a transgenic mouse constituted an inherent anticipation of a patent claiming the creation of such a transgenic mouse. The court held that the patents were valid, and not anticipated by the prior art.

Plaintiff Elan Pharmaceuticals, Inc. asserted that the Mayo Foundation infringed two of its patents directed to transgenic rodents encoding a heterologous amyloid precursor protein (APP). Mayo defended that Elan's patents were anticipated by a prior art patent, and thus invalid and unenforceable. Elan's key independent claims recited the limitation that APP is processed in the transgenic rodent into a cleavage fragment termed ATF-betaAPP. Mayo claimed that Elan's patents were invalid because the prior art taught generally the use of transgenic animals expressing APP in Alzheimer's research, and described basic methods that could be used in preparing the animals and screening them for desired transgene expression. However, the prior art did not teach that such an animal would produce detectable ATF-betaAPP, which can be used to screen the mice, nor did the prior art teach the actual production of the transgenic animal expressing APP. The district court found that Elan's patents were anticipated because formation of ATF-betaAPP was inherent in the general teachings of the prior art and granted summary judgment in favor of Mayo.

Elan appealed to the Federal Circuit, which reversed the district court's finding of anticipation. The court held that the prior art did not anticipate the claims because "general recipes of uncertain success," to carry out failure-prone activities such as gene transfer and expression, do not meet the legal criteria for anticipation based on inherent limitations. The court further stated that a limitation inherently disclosed by the prior art must be a limitation that is necessarily present, and such inherency cannot be based on "probabilities and possibilities." Since only a statistically small percentage of the transgenic animals produced in accordance with the prior art's teachings would contain all of the claim limitations, the Federal Circuit concluded that the prior art did not anticipate the invention because not all claim limitations were necessarily present in the prior art. The court also pointed to the fact that the prior art did not teach actual production of such transgenic animals. The court maintained that "new products are not anticipated when they did not previously exist, whether or not the process for making them is generally known."

An *en banc* rehearing for this case was granted by the Federal Circuit on December 18, 2002, 314 F.3d 1299.