

# The Latest Intellectual Property News



From Lowe Hauptman & Ham, LLP

VOL. 5, NO. 1

FEBRUARY 2014

Hello from everyone in Lowe Hauptman & Ham, LLP, and welcome to The Latest Intellectual Property News, a newsletter for updating you with recent information about Intellectual Property.

## CONTENTS

Declaratory judgment does not shift burden.....	
Conduct claim construction for modified product.....	
Installation of software constitutes a modification of the product.....	
Failure to cross-reference sinks patent.....	
Surrender by restriction .....	
PTA ruling limits B-adjustment's exclusions.....	
Additional information .....	

## DECLARATORY JUDGMENT DOES NOT SHIFT BURDEN

**By Sean A. Passino, Ph.D., Esq./Partner ([spassino@ipfirm.com](mailto:spassino@ipfirm.com))**

A unanimous opinion of the United States Supreme Court held that when a licensee seeks a declaratory judgment against a patentee to establish that there is no infringement, the burden of proving infringement remains with the patentee. *Medtronic, Inc. V. Mirowski Family Ventures, LLC*, No. 12–1128, slip op. (Jan. 22, 2014). In 1991, Medtronic and Mirowski entered into an agreement permitting Medtronic to practice certain Mirowski patents in exchange for royalty payments. In 2007, Mirowski gave Medtronic notice that it believed seven new Medtronic products violated various claims contained in two of its patents (related to devices that cause the heart's ventricles to contract simultaneously as the heart beats), and Medtronic thought that its products did not infringe Mirowski's patents, either because the products fall outside the scope of the patent claims or because the patents are invalid. Medtronic brought a declaratory judgment action, asking the district court to find that the patents are invalid or not infringed.

The district court held that Mirowski has the burden of persuasion. The United States Court of Appeals for The Federal Circuit reversed the district court. The Supreme Court decided whether the burden of proof shifts when the patentee is a defendant in a declaratory judgment action, and the plaintiff (the potential infringer) seeks a judgment that it does not infringe the patent.

The Court found that the burden of persuasion is with the patentee, just as it would be had the patentee brought an infringement suit as a matter of legal logic. A patentee ordinarily bears

the burden of proving infringement. *Agawam Co. v. Jordan*, 7 Wall. 583, 609 (1869). A declaratory judgment is procedural, leaving substantive rights unchanged. *Beacon Theatres, Inc. v. Westover*, 359 U. S. 500, 509 (1959). And “the burden of proof” is a “substantive” aspect of a claim.” *Raleigh v. Illinois Dept. of Revenue*, 530 U. S. 15, 20–21 (2000). For these primary reasons, the Court reversed the Federal Circuit’s determination to the contrary.

## CONDUCT CLAIM CONSTRUCTION FOR MODIFIED PRODUCT

**By Tony Chang, Esq. ([tchang@ipfirm.com](mailto:tchang@ipfirm.com))**

Proveris sued Innova contending that Innova’s product, a device known as the Optical Spray Analyzer (“OSA”), infringes U.S. Patent No. 6,785,400. Based on the conceded infringement of claims 3-10 and 13 of the ‘400 patent, the district court granted Proveris a permanent injunction against the OSA product. Innova then began selling a new product known as the Aerosol Drug Spray Analyzer (“ADSA”), which is a modified model based on the OSA product. Proveris filed a contempt motion against Innova for selling the ADSA product. The district court ruled for Proveris. In *Proveris Scientific Corp. v. Innovasystems, Inc.*, slip op. 13-1166 (Fed. Cir. Jan. 13, 2014), the Federal Circuit vacated the district court’s contempt order, because *inter alia* the district court had never determined the proper construction of claim 3, neither for this contempt motion nor for the underlying infringement litigation.

The Federal Circuit stated that “[i]n evaluating whether an injunction against continued infringement has been violated by a newly accused product, courts must follow the two-step test outlined in *TiVo Inc. v. Echostar Corp.*, 646 F.3d 869 (Fed. Cir. 2011)(en banc).” *Proveris Scientific Corp.*, citing *TiVo Inc.* The first step is that the party seeking to enforce an injunction must show that “the newly accused product is not more than colorably different from the product found to infringe.” *Id.*, citing *TiVo Inc.*, 646 F.3d 869 at 882. The second step is that the court must “determine whether the newly accused product in fact infringes the relevant claims.” *Id.*, citing *TiVo Inc.*, 646 F.3d 869 at 883.

Here, the Federal Circuit agreed with the district court that the ADSA product is not more than colorably different from the infringing OSA product. However, the Federal Circuit found that the district court failed to follow the second step of the test set forth in *TiVo Inc.* The district court declined to construe the disputed claim language and stated that any arguments concerning claim construction of claim 3 should have been raised in the underlying infringement litigation. The Federal Circuit disagreed and explained that, although the district court is bound by prior claim construction, there was no prior claim construction as a result that Innova conceded that the OSA product infringes claim 3 in the prior infringement litigation. Therefore, the case is remanded for proper claim construction in order to determine if the ADSA product constitutes a violation of the injunction.

## INSTALLATION OF SOFTWARE CONSTITUTES A MODIFICATION OF THE PRODUCT

**By Ronald H. Pawlikowski, Esq. ([rpawlikowski@ipfirm.com](mailto:rpawlikowski@ipfirm.com))**

Nazomi Communications, Inc. (“Nazomi”) sued Western Digital Corporation and Western Digital Technologies, Inc. (“Western”) and Sling Media, Inc. (“Sling”) in district court alleging infringement of U.S. Patent No. 7,080,362 (‘362 patent) and U.S. Patent No. 7,225,436 (‘436 patent). Western and Sling filed a motion for summary judgment contending that the accused products did not infringe the asserted claims because they only included hardware, and not the necessary software. The district court granted Western and Sling’s motion for summary judgment and found that the accused products did not infringe. Nazomi appealed the district court’s ruling. In *Nazomi Communications, Inc. v. Amazon.com, Inc., Western Digital Corporation and Western Digital Technologies, Inc., Sling Media, Inc., and Vizio, Inc.*, slip op. 2013-1165 (Fed. Cir. Jan. 10, 2014), the Federal Circuit affirmed the district court’s decision.

On appeal, Nazomi argued that the Federal Circuit has previously held that “an apparatus claim directed to a computer that is claimed in functional terms is nonetheless infringed so long as the product is designed in such a way as to enable the user of that [product] to utilize the function without having to modify the product.” *Silicon Graphics, Inc. v. ATI Technologies, Inc.*, 607 F.3d 784, 794 (Fed. Cir. 2010). It was undisputed by either party that the accused products did not contain the required software. Nazomi further argued that the installation of the software is not a modification of the accused product and did not preclude a finding of infringement.

The Federal Circuit, relying on *Typhoon Touch Technologies, Inc. v. Dell, Inc.*, 659 F. 3d 1376 (Fed. Cir. 2011), disagreed with Nazomi’s argument in stating “an accused device must be presently structured to store at least one data collection application to infringe the asserted claims that the enumerated functions served as claim limitations.” The Federal Circuit further stated “the products sold by Western and Sling do not infringe [the ‘362 patent and the ‘436 patent] without modification the modification of installing the required software.” The Federal Circuit also distinguished other cases directed to software licenses where the required functionality is already present in an accused apparatus, but must be unlocked by purchasing a product key. In the present case, the Federal Circuit reasoned that the installation of the required software did not constitute the unlocking of functionality, but in fact constituted adding new functionality not currently present in the accused products. The Federal Circuit affirmed the district court’s granting of summary judgment of non-infringement.

#### **FAILURE TO CROSS-REFERENCE SINKS PATENT**

**By Michael P. McComas (mmccomas@ipfirm.com)**

A Federal Circuit panel upheld a district court’s summary judgment granted to Edwards Lifesciences Corporation (Edwards) and appeal by Medtronic CoreValve, LLC (Medtronic). According to the judgment, multiple claims in U.S. Patent No. 7,892,281 (“’281 patent”), assigned to Medtronic, are invalid, stemming from Medtronic’s failure to properly claim the benefit of earlier filing dates under 35 U.S.C. §119 and 35 U.S.C. §120. *Medtronic CoreValve, LLC v. Edwards Lifesciences Corp.*, slip op. 2013-1117 (Fed. Cir. Jan. 22, 2014).

To claim the benefit of an earlier filing date in the United States under 35 U.S.C. §120, the panel indicated that each of multiple intermediate applications in the chain from an international application to the ‘281 patent needed to refer to the prior applications. While the ‘281 patent included the required references, two intermediate applications did not, so the ‘281 patent was not entitled to the benefit of the international application’s priority date.

Medtronic asserted that language in the two intermediate applications was sufficient such that a reasonable person could have discerned from the context that the term “this application” referred to a specific prior application. The panel disagreed, stating that a “reasonable person” test improperly places the burden of deciphering a priority claim upon the reader or the public.” The proper place for this burden is on the patentee and “a requirement for her to clearly disclose this information should present no hardship.”

#### **SURRENDER BY RESTRICTION**

**By Randy A. Noranbrock, Esq./Partner (rnoranbrock@ipfirm.com)**

In a case of first impression at the Federal Circuit, the Federal Circuit found that the principles of prosecution history estoppel apply equally to design patents as for utility patents. *Pacific Coast Marine Windshields Limited v. Malibu Boats, LLC*, No. 2013-1199, slip op. (Jan. 8, 2014). The statutory provision for design patent infringement imposes liability for literal infringement of a design and for infringement by equivalents through infringement of a design

“or any colorable imitation thereof.” 35 U.S.C. §289. The colorable imitation language embraces the concept of equivalents to find infringement for designs that are not identical to the patented design. With this background, the Federal Circuit held that the “same principles of public notice that underlie prosecution history estoppel apply to design patents as well as utility patents.” The Federal Circuit found no distinction in the fact that the claim scope is defined by the drawings in a design patent as opposed to language as in utility patents.

Turning to the facts of the case, the Federal Circuit found that the cancellation of figures in response to a restriction requirement constituted a surrender of subject matter to the design of the remaining figures. Finding that the restriction response rose to the level of “a narrowing amendment made to satisfy any requirement of the Patent Act” giving rise to an estoppel, the Federal Circuit stopped short of applying the same rule to utility patents thereby setting up a curious dichotomy for possible future resolution.

However, even given the surrender for a reason related to patentability, the Federal Circuit found that Pacific Coast failed to surrender the subject matter of the accused design. Because the defendant failed to argue that the asserted infringing design was a colorable imitation of the surrendered design, the Federal Circuit did not decide whether the surrendered scope was measured by the colorable imitation standard. The Federal Circuit appears to have limited the surrendered scope due to prosecution history estoppel to the surrendered embodiment of the restriction response. The case appears to elevate the importance of pursuing non-elected embodiments in design cases subject to restriction.

## **PTA RULING LIMITS B-ADJUSTMENT’S EXCLUSIONS**

***By Sean A. Passino, Ph.D., Esq./Partner ([spassino@ipfirm.com](mailto:spassino@ipfirm.com))***

The Federal Circuit held that the 17 year patent guarantee of 35 U.S.C. §154(b)(1)(B) (B-adjustments) does not accumulate during the period following a request for continuing examination (RCE) between time of the request and the notice of allowance. *Novartis AG v. Lee*, slip op. 2013-1160, -1179 (Fed. Cir. Jan. 15, 2014). The B-adjustments add patent term for each day after the United States Patent and Trademark Office fails to issue the patent within three years. The B-adjustments, however, are subject to exclusions, including “any time consumed by continued examination of the application requested by the applicant under section 132(b), i.e., by an RCE. §154(b)(1)(B)(i). If an applicant is entitled to an extension, the relevant USPTO rule calculates the period of the B-adjustment as “the number of days, if any, in the period beginning on the day after the date that is three years after the date on which the application was filed . . . and ending on the date a patent was issued, but not including . . . (1) [t]he number of days, if any, in the period beginning on the date on which a request for continued examination of the application under 35 U.S.C. §132(b) was filed and ending on the date the patent was issued . . . .” 37 C.F.R. §1.703(b)(1).

This rule does not account for when the RCE was filed. It works the same for B-adjustments in cases in which the RCE is filed before the 3 year anniversary as it does in cases in which the RCE is filed after. Also, this rule does not separate the period from allowance to issuance—even though this period is undisputedly counted toward the three years in a case not involving an RCE.

Novartis sued the USPTO, contending that (1) the B-adjustment’s exclusions do not apply to cases in which the RCE is filed after the 3 year period from the date the application is filed and (2) the B-adjustment cannot apply to the period from allowance to issuance. A panel of the Federal Circuit disagreed with (1) but agreed with (2).

The opinion written by Circuit Judge Taranto held that no adjustment time is available for any time in continued examination, even if the continued examination was initiated more than

three calendar years after the application's filing. This holding, according to the opinion, best accords with the statutory language and purpose. The opinion adopted the USPTO's explanation that §154(b)(1)(B) is best understood as making distinctions based on whether certain delays are attributable to the USPTO. Since RCE's are requested by applicant, the delay is attributed elsewhere.

The opinion also held that the "time consumed by continued examination," per 35 U.S.C. §154(b)(1)(B)(i), should be limited to the time before allowance, as long as no later examination actually occurs. This holding, according to the opinion, follows from the USPTO's reasons to affirm the first holding. As already noted, the USPTO insisted that continued examinations are not to be distinguished according to when they are initiated, because the delay is not attributable to the USPTO. By the same logic, the allowance-to-issuance period should not be distinguished according to whether there is a continued examination in a prosecution, because this time period is attributable to the USPTO. The only understanding of "time consumed by continued examination" is time up to allowance, but not later, unless examination on the merits resumes, e.g., by the reopening of prosecution post allowance.

## ADDITIONAL INFORMATION

To subscribe or unsubscribe to this newsletter, please email [spassino@ipfirm.com](mailto:spassino@ipfirm.com).



Archived copies of this newsletter are available at [www.ipfirm.com](http://www.ipfirm.com).

Follow us on Facebook:



Follow us on Twitter:



Follow us on LinkedIn:



**2318 Mill Road, Suite 1400  
Alexandria, VA 22314 USA**

**Tel: +1 (703) 684-1111  
Fax: +1 (703) 518-5599**

**201, No. 47, Yuancyu 2nd Rd.  
IP Innovation Center  
Hsinchu Science Park 300  
Hsinchu City, Taiwan, R.O.C.  
Tel: +886-3-5775912  
Fax: +886-3-5779280**

**Level 28 Shinagawa Intercity Tower A  
2-15-1 Konan Minato-Ku  
Tokyo 108-6028 Japan**

**642-6 Sungji 3 cha Bldg. 20th floor  
Yeoksam-dong, Kangnam-gu  
Seoul Korea**

**Tel: +81 3 6717-2841  
Fax: +81 3 6717-2845**

**Tel: +82 (0)2 568-5300  
Fax : +82 (0)2 866-3711**

*The articles in this newsletter are for informational purposes only and not for the purpose of providing legal advice or soliciting legal business. You should contact your attorney to obtain advice about each issue. Use of and access to this newsletter or any of the e-mail links contained herein do not create an attorney-client relationship between Lowe Hauptman & Ham, LLP and the user. The opinions expressed at or through this newsletter are the opinions of the individual author and may not reflect the opinions of the firm, any individual attorney, or the firm's clients. Unsolicited information sent to Lowe Hauptman & Ham, LLP by persons who are not clients of the firm is not subject to any duty of confidentiality on the part of Lowe Hauptman & Ham, LLP.*

All rights reserved. © 2014