

Latest Intellectual Property News



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Welcome to The Latest Intellectual Property News, a newsletter for updating you with recent information about Intellectual Property.

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ANTICIPATION REJECTION SOUNDING CLOSER TO OBVIOUSNESS

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

In *Kennametal, Inc. v. Ingersoll Cutting Tool Company*, slip op 2014-1350 (Fed. Cir. Mar. 25, 2015), Ingersoll requested *inter partes* reexamination against Kennametal’s U.S. Patent No. 7,244,519 (the ‘519 patent) claiming anticipation and obviousness of some of the original claims. Twice, the Examiner failed to adopt the proposed anticipation rejection but did reject the claims as being obvious. Kennametal appealed and Ingersoll cross-appealed the refusal to adopt the anticipation rejections by the Examiner.

The Board found that the Examiner erred in not adopting the anticipation rejection and also affirmed the Examiner’s obviousness rejection. The Board relied on *In re Petering* to support their decision that although the applied reference did not expressly spell out all the limitations arranged or combined as in the claim, “a person of skill in the art, reading the reference, would ‘at once envisage’ the claimed arrangement or combination.” Kennametal appealed the Board’s decision.

The United States Court of Appeals for the Federal Circuit upheld the Board’s decision finding that “[a]t the very least, [the reference’s] express ‘contemplation’ of PVD coatings is sufficient evidence that a reasonable mind could find that a person of skill in the art, reading [the reference’s] claim 5, would immediately envisage applying a PVD coating” and that therefore substantial evidence supported the conclusion that the reference

“effectively teaches 15 combinations, of which one anticipates pending claim 1.” Thus, in this instance, the presence of one anticipatory combination out of 15 possible combinations was sufficient to allow the person of skill in the art to immediately envisage (and thereby render anticipated) the claimed subject matter.

Kennametal also argued against the obviousness rejection asserting that the Board failed to establish a *prima facie* case of obviousness at least based on unexpected results provided by Kennametal. However, the Federal Circuit agreed with and upheld the Board’s determination that Kennametal failed to establish that the secondary consideration results had a nexus to the claimed invention.

CLAIM IS DEFINITE DESPITE “AMBIGUOUS” PLAIN LANGUAGE

By Kien Le, Patent Agent (kien@ipfirm.com)

In *Eidos Display, LLC v. AU Optronics Corp.*, slip op. 2014-1254 (Fed. Cir. Mar. 10, 2015), the Federal Circuit found a claim to be definite despite “ambiguous” plain language. The issue involved the following limitation of claim 1 in asserted U.S. Patent No. 5,879,958: “patterning the passivation film to form ... a contact hole for source wiring and gate wiring connection terminals.” The plain language recites a contact hole, i.e., one contact hole, for multiple connection terminals.

At the district court, the patent owner, Eidos, argued that the disputed limitation requires separate and distinct contact holes for the source wiring connection terminals and gate wiring connection terminals. Eidos based its claim construction on the standard industry practice and the specification. The defendants argued that the disputed limitation requires a shared contact hole for all connection terminals. The defendants based their claim construction on the plain language. The district court rejected all proposed claim constructions and held claim 1 indefinite, because “the Court is unable to arrive at a construction that would allow a [any person skilled in the art] to determine what is claimed when the claim is read in light of the specification.”

The Federal Circuit reversed. The Federal Circuit agreed with the Eidos’s claim construction as it “reflects how a [any person skilled in the art] ... would have understood the limitation after reading the intrinsic record.” The intrinsic record indicated that the known industry practice always had been to form separate contact holes for source wiring connection terminals and for gate wiring connection terminals. The specification, which is part of the intrinsic record, includes no description how one would deviate from the known industry practice. Further, the only description corresponding to the limitation at issue in the specification teaches that separate contact holes are formed for the different connection terminals.

In response to the defendants’ argument that adopting the “separate contact holes” claim construction would require rewriting the claim limitation, the Federal Circuit responded that determining how a [any person skilled in the art] would understand a claim limitation is not rewriting the claim limitation.

APPLE AVOIDS INFRINGEMENT OF MOBILEMEDIA PATENTS

By Jiho Park, Intern (ipark@ipfirm.com)

In *MobileMedia Ideas LLC v. Apple Inc.*, slip op. 2014-1060 (Fed. Cir. Mar. 17, 2015), Apple appealed from the District Court's judgment finding claim 73 of U.S. Patent No. 6,427,078 (the '078 patent) and claim 23 of U.S. Patent No. 6,070,068 (the '068 patent)

were infringed and are not invalid. MobileMedia cross-appealed from the district court's judgment finding claims 5, 6, and 10 of U.S. Patent No. 6,253,075 (the '075 patent) and claims 2-4 and 12 of U.S. Patent No. RE 39,231 (the '231 patent) were not infringed, and claims 5, 6, and 10 of the '075 patent also are invalid. In its analysis of obviousness, the Federal Circuit stated that “when technique has been used to improve a device, and a skilled artisan would recognized that it could improve other devices in the same way, using that technique may not be obvious if its actual application is beyond his or her level of skill.” *KSR Int’l Co. v. Teleflex Inc.*, 550 U.S. 398, 417 (2007).

With respect to the '078 patent, the Federal Circuit affirmed the validity of claim 73 of the '078 patent, by agreeing with the district court that substantial evidence supports the jury’s finding that one of skill in the art would not have been motivated to combine the references cited by Apple to arrive at the claimed invention. Furthermore, the Federal Circuit held that the district court erroneously expands the scope of the means-plus-function claims to include any image processing unit or memory unit.

The Federal Circuit found that the '068 patent’s method claims are obvious to one of skill in the art and thus invalid. There was no substantial evidence to support a conclusion that a skilled artisan would not have found it obvious to take the straightforward and commonsensical step to configure the prior reference to perform sending and receiving calls after the press of one key instead of two keys.

As to the '075 patent, describing a method for allowing a user to reject an incoming calls when the user is already active on another call, the Federal Circuit affirmed that claims were obvious and invalid in view of two protocols in the Global System for Mobile communications (GSM) standard. Specifically, the Federal Circuit agreed with the district court’s finding that no substantial evidence supports a determination that one of ordinary skill in the art would not have been motivated to combine §§ 1.1 and 1.3 of GSM 04.83 and § 5.2.2 of GSM 04.08.

The Federal Circuit also found that the district court’s claim construction of “to change a volume of the generated alert sound” in the '231 patent was erroneous. Accordingly, the Federal Circuit vacated the non-infringement decision and remanded to the district court for further proceedings.

WILLFULLNESS STILL REQUIRED FOR ENHANCED DAMAGES PER §284

By Ronald H. Pawlikowski, Esq. (rpawlikowski@ipfirm.com)

An *en banc* rehearing was denied in *Halo Electronics, Inc. v. Pulse Electronics, Inc.*, *Pulse Electronics Corp.*, slip op. 2013-1472, 2013-1656 (Fed. Cir. Mar. 30, 2015). Halo Electronics, Inc., (“Halo”) petitioned for rehearing and rehearing *en banc* following panel affirmance of the district court’s summary judgment of non-infringement by Pulse Electronics, Inc. (“Pulse”) and the district court’s judgment that the infringement by Pulse of certain patents was not willful. The Federal Circuit denied the petition.

Halo argued that the objective reasonableness of Pulse’s invalidity position must be judged based only on Pulse’s belief prior to infringement. Judges Taranto and Reyna found that Halo has not demonstrated the general importance sufficient to warrant rehearing or *en banc* review. However, they indicated that there are some open questions regarding enhanced damages under 35 U.S.C. §284 that are noteworthy, including whether: (i) willfulness should remain necessary for enhanced damages; (ii) the willfulness test set forth *In re Seagate*, 497 F.3d 360 (Fed. Cir. 2007) remains controlling

precedent; (iii) a willfulness judgment is reviewed *de novo* on appeal. However, Judges Taranto and Reyna stated that these questions were not for the Court to decide and instead are issues that should be decided by Congress.

Circuit Judge O'Malley (joined by Circuit Judge Hughes) dissented from the denial of the petition for rehearing *en banc*. Judge O'Malley noted that the court's jurisprudence governing the award of enhanced damages under 35 U.S.C. §284 closely mirrors its jurisprudence governing the award of attorney fees under 35 U.S.C. §285. In view of the Supreme Court's recent decision regarding attorneys' fees in *Octane Fitness, LLC v. ICON Health & Fitness, Inc.*, 134 S. Ct. 1749 (2014), the Federal Circuit should decide whether subjective bad faith may be considered when considering the baselessness of a claim or defense under §284.

“USE” IN USE-BASED SERVICE MARK APPLICATIONS CLARIFIED

By Sam Araia, Esq. (saraia@ipfirm.com)

The Federal Circuit addressed the issue of whether the offering of a service, without the actual provision of a service, is sufficient to constitute “use in commerce” under Lanham Act. *Couture v. Playdom, Inc.*, slip op. 2014-1480 (Fed. Cir. Mar. 2, 2015). The issue presented itself when on June 15, 2009, Playdom, Inc. (“Playdom”) filed a petition with the Trademark Trial and Appeal Board (the “Board”) to cancel David Couture’s (“Couture”) registration of the service mark PLAYDOM on the grounds that the mark had not been used in commerce as of the date of application.

On May 30, 2008, Couture filed a use-based application to register “PLAYDOM” as a service mark. As a specimen, he submitted a screenshot of his website offering writing and production services in the entertainment industry. At the time, the webpage showed that it was still “under construction.” The mark was registered by the USPTO on January 13, 2009, but the Couture did not provide any services under the mark until after 2010.

On February 9, 2009, Playdom filed an application to register the identical mark “PLAYDOM,” but the USPTO Examiner rejected the application citing Couture’s registered mark.

In its petition to cancel Couture’s mark, Playdom stated that Couture’s registration was *void ab initio*, because it had not been used in commerce as of May 2008, the date of the application. The Board granted the cancellation petition stating that Couture had not **rendered** his services as of the date of his application because *merely posting a website advertising readiness, willingness and ability to render services does not constitute “use” in commerce.*

Couture appealed, but the Federal Circuit affirmed the Board’s decision.

In order to apply for a use-based trademark under the, a mark must be “used in commerce.” 15 U.S.C. § 1051(a)(1). A mark is used in commerce on services when (1) it is used or displayed in the sale or advertising of services **and** (2) the services are rendered in commerce. Mere preparations to use a mark in commerce or advertising or publicizing a service that the applicant **intends** to perform in the future are insufficient. The advertising must instead relate to an **existing service** which has already been offered to the public.

Previously in *Aycock v. Airflite*, 560 F.3d 1350, 1357 (Fed. Cir. 2009), the Federal Circuit stated that in order for an applicant to meet the use requirement “at the very least, there

must be an open and notorious public offering of the services to those for whom the services are intended. The Federal Circuit clarified that *Aycock* did not suggest that an open and notorious public offering alone is sufficient to establish use in commerce.

The Federal Circuit also stated that other circuits (Second, Fourth, and Eighth Circuits) have consistently interpreted the Lanham Act as requiring an **actual provision of services**.

Since Couture offered no evidence to show that he rendered actual services to customers prior to 2010, the Federal Circuit held that the Board's cancellation of his registration was proper.

REASONABLE DEFENSES AVOIDS WILLFUL INFRINGEMENT

By Joshua L. Pritchett, Esq. (jpritchett@ipfirm.com)

The Federal Circuit reversed a district court holding of willful infringement in *Stryker v. Zimmer*, slip op. 2013-1668 (Fed. Cir. Mar. 23, 2015). At trial, Zimmer was found to willfully infringe three of Stryker's patents. The district court judge relied heavily upon the jury's determination of willful infringement. Zimmer appealed the finding of willful infringement and validity of the three Stryker patents. The Federal Circuit affirmed the validity of the Stryker patents and the infringement, but reversed the finding of willful infringement.

The Federal Circuit stated that although the objective recklessness required for determining willful infringement is a mixed question of law and fact, the issue is best decided by a judge as a question of law. The Federal Circuit pointed out that the district court relied too heavily upon the jury's determination and failed to fully consider the reasonableness of Zimmer's arguments.

The Federal Circuit stated that Zimmer had a reasonable defense for each of the claims asserted by Stryker. The Federal Circuit concluded that because the defense for each of the asserted claims was reasonable, there was not objective recklessness on the part of Zimmer. Therefore, Zimmer could not be found to willfully infringe Stryker's patents.

LOST PROFITS MUST COME FROM LOST SALES OF A PATENTEE ITSELF

By Michael J. Steger, Esq. (msteger@ipfirm.com)

In this case, *Warsaw Orthopedic, Inc. v. NuVasive, Inc.*, slip ops. 2013-1576, 2013-1577 (Fed. Cir. Mar. 2, 2015), Warsaw sued NuVasive for infringement of U.S. Patent Nos. 5,860,973 and No. 6,945,933. NuVasive counterclaimed for infringement of U.S. Patent No. 7,470,236 against Warsaw and its related company, Medtronic Sofamor Danek USA, Inc. ("MSD"). The district court held that all three patents were infringed and awarded damages for past infringement and an ongoing royalty rate. Both parties appealed. The Federal Circuit affirmed-in-part, vacated-in-part, and remanded-in-part.

The Federal Circuit affirmed the district court holdings that the claims of the asserted patents were valid and infringed. The Federal Circuit vacated Warsaw's damages award and remanded for a new trial on damages. The Federal Circuit instructed that at the new trial, Warsaw will be limited to a reasonable royalty and cannot recover lost profits.

Warsaw owns the '933 and '973 patents, but Warsaw does not practice the patented technologies. Rather, Warsaw licenses the technologies to related companies Medtronic Sofamor Danek Deggendorf, GmbH ("Deggendorf") and Medtronic Puerto Rico

Operations Co. (“M Proc”), which manufacture and sell the patented products to MSD and pay royalties to Warsaw on those sales. Warsaw asserted it has three revenue streams related to the patented technologies. First, Warsaw receives revenue from the sale of fixations used in connection with the patented product to MSD. Second, Warsaw receives royalty payments from M Proc and Deggendorf. Third, Warsaw receives payments from MSD resulting from an inter-company transfer pricing agreement.

The Federal Circuit stated that a patentee may not claim, as its own damages, the lost profits of a related company. Warsaw admitted that it is not entitled to the lost profits of Deggendorf, M Proc, or MSD. Warsaw, however, sought the lost profits to itself that were derived from the other companies. The Federal Circuit stated that to be entitled to lost profits, the lost profits must come from the lost sales of a product or service the patentee itself was selling. The Federal Circuit explained that if the patentee is not selling a product, by definition there can be no lost profits. The Federal Circuit, accordingly, held that none of the three revenue streams asserted by Warsaw were recoverable as lost profits.

NEVER JUDGE A DOCKET ENTRY BY ITS COVER

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

The United States District Court for the Western District of Texas decided that AT&T had failed to timely file a notice of appeal after the court had denied all of AT&T’s post-trial motions. *Two-way Media LLC v. AT&T, Inc.*, slip op 2014-1302 (Fed. Cir. Mar 19, 2015). Two of the three judges on the Federal Circuit panel agreed with the District Court’s determination regarding timeliness of the notice filing.

After the jury decision, AT&T submitted several post-trial motions including confidential motions. The court’s initial docketing of the denial of the motions labeled the orders as orders granting the motions to seal and did not indicate that the content of the orders also denied the relief sought by AT&T’s post-trial motions. The parties received electronic notification of the initial docketing of the “order granting motion for leave to file sealed document.” Later, the court updated the description of the orders to reflect the denial of the motions without sending updated electronic notifications. The Federal Circuit panel upheld the district court, finding no abuse of discretion in the court’s finding that AT&T failed to satisfy its burden to show excusable neglect for its failure to read the underlying orders and check the docket for more than a month after the court issued the final orders. The fact that the electronic notice and the orders had been sent to 18 different counsel and legal assistants representing AT&T and that the orders themselves had been downloaded by at least some was not lost on the court. The panel also agreed with the court that AT&T could not obtain a reopened period for appeal because it did not read the court order which it received. The Federal Circuit found no abuse of discretion in the district court’s decision that the party and its counsel have an obligation to monitor the electronic docket for entry of an order already in their possession and knowing that the court clerk has attempted to enter. At least one takeaway lesson from this case is to not judge an order by its docket entry and to read each order issued by the court.

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