

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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CLAIM CONSTRUCTION STANDARD MAY CHANGE DURING REEXAMINATION PROCEEDINGS

By **John Lagowski, Esq.** (jlagowski@ipfirm.com)

In re: CSB-System International, Inc., slip op. 2015-1832 (Fed. Cir. Aug. 9, 2016).

The Patent Trial and Appeal Board (“Board”) erred by applying the broadest reasonable interpretation (“BRI”) standard to construe claims of an expired patent under reexamination. However, applying the narrower *Phillips* standard of claim construction the Court affirmed the Board’s decision to reject the patent claims.

CSB-System International, Inc., is the assignee of U.S. Patent No. 5,631,953, directed to a circuit arrangement for integrating an electronic data processing (“EDP”) system with telephone systems connected to an integrated services digital network (“ISDN”) telephone network. A third party’s request for *ex parte* reexamination of the ‘953 patent was granted. During reexamination proceedings, the patent examiner applied the BRI standard to construe the ‘953 patent’s claims and rejected all of the claims over a prior art patent. CSB appealed to the Board. The ‘953 patent expired prior to the Board’s review of the examiner’s rejection.

In upholding the examiner’s rejection, the Board applied the BRI standard of claim construction. CSB appealed to the United States Court of Appeals for the Federal Circuit and asserted that the Board should have applied the *Phillips* “plain meaning” standard of claim construction rather than the BRI standard used by the examiner, because the ‘953 patent expired during reexamination. The Board asserted that its application of the BRI standard was proper at least because it operates as a tribunal of review for the examiner’s work, and must scrutinize claims consistent with the standard used by the examiner. The

Federal Circuit disagreed with the Board and held that “[w]hen a patent expires during a reexamination proceeding, the PTO should thereafter apply the *Phillips* standard for claim construction.” The Court explained that the rationale for permitting the broader BRI standard in reexaminations is that a patent owner before the PTO with an unexpired patent may amend claims to narrow their scope. The Court further explained that a patent owner’s ability to amend is substantially diminished when the patent expires.

The primary prior art patent considered during reexamination and by the Court discloses a system that includes a terminal coupled to a telephone network for receiving caller identification data and runs a menu driven host program which exchanges menu images with the workstation. CSB contended that the term “personal computers” recited in claim 1 of the ‘953 patent should be construed under the *Phillips* “plain meaning” standard to exclude personal computers that emulate terminals.

In upholding the Board’s rejection, the Court explained that the prior art patent discloses that workstation terminals may include a memory and a multi-tasking operating system. The Court stated that “a personal computer is defined by its hardware and computing capability, not by the [workstation terminal] software it happens to run at a point in time.” Accordingly, the Court held that the prior art patent discloses “personal computers” as recited in the ‘953 patent claims and affirmed the Board’s rejection.

BOARD IMPROPERLY DENIES MOTION TO AMEND IN IPR

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

In *Veritas Technologies LLC, v. Veeam Software Corporation*, Case No. 2015-1894 (Fed. Cir. Aug. 30, 2016), the Federal Circuit affirmed the Patent Trial and Appeal Board (hereinafter “Board”) on claim construction and unpatentability of Veritas’s patent claims challenged in an *Inter Partes* Review (IPR) proceeding. However, the Federal Circuit vacated the Board’s denial of Veritas’s motion to amend, because the Board was arbitrary and capricious in its sole ground for denying the motion.

As to the claim construction issue, Veritas argued for reading the claims as limited to file-level restoration, as opposed to block-level restoration disclosed by the prior art. The Federal Circuit agreed with the Board that the claim language and the specification do not make a broader reading unreasonable, that the broadest reasonable interpretation of the claims includes block-level restoration described in the prior art, and that the challenged claims are unpatentable.

Veritas also filed a conditional motion to amend to add proposed claims in case the Board concluded that the challenged claims are unpatentable. Veritas submitted in its motion that the newly added features in combination with other known features were not known in the prior art. The Board denied Veritas’s motion on the sole ground that Veritas failed to discuss whether each newly added feature in each proposed claim was separately known in the prior art. The Federal Circuit found the Board’s denial unreasonable, because Veritas’s motion, according to the Federal Circuit, met its burden of showing that the claimed combination is patentable. The Federal Circuit therefore vacated the Board’s denial of Veritas’s motion, and remanded for the Board to consider the patentability of the proposed claims. The Federal Circuit also noted that the Board’s rationale in this case is erroneous independent of the outcome of the recently initiated *en banc* proceeding in *In re Aqua Products, Inc.*, No. 2015-1177, 2016 WL 4375651 (Fed. Cir. Aug. 12, 2016).

POWER GRID ANALYSIS CLAIMS HELD TO BE ABSTRACT

By Michael P. McComas, Esq. (mmccomas@ipfirm.com)

In an appeal by Electric Power Group, LLC (“Electric Power Group”), a Federal Circuit panel affirmed a district court’s granting of summary judgment that certain claims in Electric Power Group’s U.S. Patent Nos. 7,233,843, 8,060,259, and 8,401,710 (“the ‘710 patent”) are invalid as a matter of law under 35 U.S.C. §101. The challenge to the patents stemmed from an infringement complaint by Electric Power Group against Alstom, S.A., Alstom Grid, Inc., Psymetrix Limited, and Alstom Limited (collectively “Alstom”). *Electric Power Group, LLC v. Alstom, S.A., Alstom Grid, Inc., Psymetrix Ltd., and Alstom Limited*, slip op. 2015-1778 (Fed. Cir. Aug. 1, 2016).

The panel analyzed claim 12 of the ‘710 patent as being representative of the multiple claims at issue. Claim 12 is directed to “detecting events on an interconnected power grid in real time over a wide area and automatically analyzing the events.” Recited features include receiving specific data and data streams, detecting and analyzing events in real time, displaying analysis results and visualizations of measurements, accumulating and updating the measurements, and deriving a composite indicator of reliability.

Referring to the governing precedent of the Supreme Court’s decision in *Alice Corporation Pty. Ltd. v. CLS Bank International*, 134 S. Ct. 2347 (2014), the panel applied step one of the relevant two-part test by assessing the focus of claim 12, concluding that the claim is directed to “information-related activities within the realm of abstract ideas.” According to the panel, the claimed use of computers as tools is distinct from computer-functionality improvements found to be patent-eligible in the Federal Circuit’s previous decision in *Enfish, LLC v. Microsoft Corp.*, 822 F.3d 1327, 1334 (Fed. Cir. 2016).

Applying step two of the test, the panel did not find an “inventive concept” sufficient to “transform the nature of the claim into a patent-eligible application,” stating that claim 12 includes no new sources or types of information, new techniques for analysis, or methods for achieving results beyond requiring performance on a set of generic computer components. The panel distinguished this result from previous Federal Circuit decisions in which modification of conventional website display mechanics in *DDR Holdings, LLC v. Hotels.com, L.P.*, 773 F.3d 1245, 1257 (Fed. Cir. 2014) and inventive distribution of network functionality in *Bascom Global Internet Servs., Inc. v. AT&T Mobility LLC*, No. 2015-1763 (Fed. Cir. 2016) were held to be sufficient for transformation of an arguably abstract claim focus into patent-eligible subject matter.

Citing the district court’s description of “a critical difference between patenting a particular concrete solution to a problem and attempting to patent the abstract idea of a solution to a problem in general,” the panel noted that the description is not useful as a basis for an eligibility determination, but as a helpful way of double-checking application of the Supreme Court’s framework to particular claims.

CHARACTERIZATION AND SUMMATION SENTENCE IN A PATENT LIMIT THE CLAIM SCOPE

By Chang H. Yang, Patent Agent (chyang@ipfirm.com)

GPNE Corp. v. Apple Inc., slip op. 2015-1825 (Fed. Cir. Aug. 1, 2016).

The Federal Circuit affirmed a decision from the district court that Apple does not infringe GPNE’s patents (US Patent No. 7,570,954 and US Patent No. 7,792,492) which are directed

to a two-way paging system where paging devices are capable of not only receiving messages but also sending messages back in response.

The district court held that the term “node” recited in the claims at issue is interpreted as a “*pager with two-way data communications capability that transmits wireless data communications on a paging system that operates independently from a telephone network.*” The Federal Circuit agreed with the district court’s holding and stated that “when a patent “repeatedly and consistently” characterizes a claim term in a particular way, it is proper to construe the claim term in accordance with the characterization.” See, e.g., *VirnetX, Inc. v. Cisco Sys., Inc.*, 767 F.3d 1308, 1318 (Fed. Cir. 2014); *ICU Med., Inc. v. Alaris Med. Sys., Inc.*, 558 F.3d 1368, 1374– 75 (Fed. Cir. 2009).

The Federal Circuit continued to discuss the two limitations “pager” and “operates independently from a telephone network.” The facts reveal that the words “pager” and “pager units” appear in the specification over 200 times, and, apart from the Abstract, the specification repeatedly and exclusively uses these words to refer to the devices in the patented system. Further, the prosecution history of the patents at issue also supports construing “node” as a type of “pager.”

Further, turning to “operates independently from a telephone network,” GPNE argued that such feature appears only in a summation sentence which describes “the invention” as a whole.

The Federal Circuit stated that “when a patent . . . describes the features of the ‘present invention’ as a whole, this description limits the scope of the invention.” *Verizon Servs. Corp. v. Vonage Holdings Corp.*, 503 F.3d 1295, 1308 (Fed. Cir. 2007). Thus, it is proper to conclude that a “node” should have the capability to “operate[] independently from a telephone network.”

GPNE does not appear to articulate an infringement position under the district court’s construction of “node.” Accordingly, the Federal Circuit affirmed the district court’s construction and judgment of non-infringement.

INVENTORSHIP POST-AIA

By David Beardall, Esq. (dbeardall@ipfirm.com)

Vapor Point LLC v. Moorhead, slip op. 2015-1801 (Fed. Cir. Aug. 10, 2016).

The Federal Circuit upheld a US district court (S.D. Texas) decision to recognize Plaintiffs Keith Nathan and Ken Matheson as joint-inventors of U.S. Patents 7,727,310 and 8,500,862, and declining recognition of Defendant Elliott Moorhead to patents held by Plaintiffs. Defendants filed notice with the district court dismissing state law claims “with prejudice” and requested an evidentiary hearing regarding inventorship only. The district court and the Federal Circuit each held that the dismissal “with prejudice” plus the inventorship ruling barred further action regarding determining inventorship.

Plaintiffs Vapor Point LLC, Keith Nathan, and Kenneth Matheson (Vapor Point) sued Elliott Moorhead (Moorhead) and NanoVapor Fuels Group, Inc. (NanoVapor) seeking to have Nathan and Matheson recognized as joint inventors of U.S. Patents 7,727,310 and 8,500,862. Moorhead and NanoVapor countersued Vapor Point seeking recognition of Moorhead as joint-inventor of patents held by Vapor Point. NanoVapor argued that Nathan and Matheson, as a condition of their previous employment by NanoVapor, but without a separate writing requiring assignment, were impliedly obliged to assign to NanoVapor all

inventions made during their employment.

The U.S. district court (S.D. Texas), declined a NanoVapor motion to hold a separate (from various state law claims) evidentiary hearing regarding inventorship. In order to hold the inventorship hearing without trial, NanoVapor waived “with prejudice” all issues before the court except that of inventorship. Vapor Point moved to dismiss all state law claims, leaving only the issue of inventorship to be decided. 35 U.S.C. §256 allows “judicial resolution of co-inventorship contests over issued patents.” *MVC, Inc. v. King-Seely Thermos Co.*, 870 F.2d 1568, 1570 (Fed. Cir. 1989).

The district court ruled that there was sufficient evidence to recognize Nathan and Matheson as joint inventors of the ‘310 and ‘862 patents. NanoVapor moved for a new trial on the affirmative defense that Plaintiffs had an obligation to assign their invention as a condition of their employment. The district court pointed out that “the voluntary dismissal of the state law claims mooted NanoVapor’s affirmative defense that Nathan and Matheson had an obligation to assign.” *Vapor Point LLC v. Moorhead*, slip op. 2015-1801, page 12 (Fed Cir. Aug. 10, 2016).

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