

# VEDDER PRICE IP Strategies

Trends in patent, copyright, trademark and technology development and protection

January 2005

## U.S. SUPREME COURT REMOVES ADDITIONAL BURDEN ON TRADEMARK INFRINGERS CLAIMING FAIR USE DEFENSE

*KP PERMANENT MAKE-UP, INC. v.  
LASTING IMPRESSION I, INC.  
(U.S. SUPREME COURT; DEC. 8, 2004)*

Addressing a split among the appellate circuit courts, the U.S. Supreme Court decided a trademark case clarifying the burden of proof necessary for an accused infringer to escape liability under the statutory fair use defense. On appeal, the Supreme Court held that the fair use doctrine articulated in the Trademark Act does not require an accused infringer to negate any likelihood of confusion resulting from use of the mark.

In general terms, the doctrine of fair use provides an affirmative defense to trademark infringement if the use by the accused infringer coincides with the name of the accused in its own business or is descriptive of the infringer's goods or services.

In support of this holding, the Supreme Court stressed the language of the Trademark Act itself. In contrast to the section governing infringement, which specifically requires the trademark owner to prove likelihood of confusion, the section providing a fair use defense to infringers relies on the phrase "used fairly and in good faith." Applying established methods of statutory construction, the Supreme Court emphasized that Congress intentionally chose the language of the statute to distinguish the burdens of proof under infringement and fair use. To interpret the statute in a contrary manner would render the affirmative defense useless in situations when it is most relevant: where the owner has established a case of infringement. Such an

illogical result would close the door on any practical application of the fair use defense. As a result, the Supreme Court held that a defendant has no obligation to negate likelihood of confusion under the fair use defense.

The Supreme Court went a step further and affirmatively acknowledged that some degree of consumer confusion is compatible with fair use. However, the Supreme Court recognized that the extent of the consumer confusion may have an impact on whether the defendant fairly used the mark.

## LEMELSON FOLLOW-UP

In our previous newsletters, we reported on the status of the litigation regarding the Lemelson patents. As we previously reported, Lemelson filed a Notice of Appeal to the Federal Circuit on June 22, 2004. This appeal has now been fully briefed by the parties in the Federal Circuit. Oral argument will be scheduled sometime during the first quarter of 2005.

We will continue to provide update reports in our future newsletters.

### IN THIS ISSUE

U.S. SUPREME COURT REMOVES ADDITIONAL BURDEN ON TRADEMARK INFRINGERS CLAIMING FAIR USE DEFENSE	Page 1
LEMELSON FOLLOW-UP	Page 1
NEW PATENT AND TRADEMARK FEES UNDER THE 2005 CONSOLIDATED APPROPRIATIONS ACT	Page 2
RECENT FEDERAL CIRCUIT PATENT DECISIONS	Page 4
VEDDER PRICE ADDS THREE PROFESSIONALS TO INTELLECTUAL PROPERTY STAFF	Page 11

## NEW PATENT AND TRADEMARK FEES UNDER THE 2005 CONSOLIDATED APPROPRIATIONS ACT

On December 8, 2004, President Bush signed the 2005 Consolidated Appropriations Act, by which the patent fees for the remainder of 2005 and during 2006 were significantly increased. For utility patent applications, the fees were increased except for the publication fee, which remained unchanged, and the first maintenance fee was actually reduced. The following table illustrates some of the changes in the fees for utility patent applications for large and small entities.

TYPE OF FEE	LARGE ENTITY		SMALL ENTITY		
	OLD FEE	NEW FEE	OLD FEE	NEW FEE	E-FILE
Filing Fee	Single Fee	Three-Part Fee	Single Fee	Three-Part Fee	
<b>Total Fee</b>	\$ 790	<b>\$ 1,000</b>	\$ 395	<b>\$ 500</b>	<b>\$ 425</b>
Filing fee		<b>\$ 300</b>		<b>\$ 150</b>	<b>\$ 75</b>
Search fee		<b>\$ 500</b>		<b>\$ 250</b>	<b>\$ 250</b>
Examination fee		<b>\$ 200</b>		<b>\$ 100</b>	<b>\$ 100</b>
Independent Claims (per claim in excess of 3)	\$ 88	<b>\$ 200</b>	\$ 44	<b>\$ 100</b>	<b>\$ 100</b>
Total Claims (per claim in excess of 20)	\$ 18	<b>\$ 50</b>	\$ 9	<b>\$ 25</b>	<b>\$ 25</b>
Sheets of Specification and Drawing	None	<b>\$250</b> for each 50 sheets in excess of 100, except for sequence and program listings	None	<b>\$250</b> for each 50 sheets in excess of 100, except for sequence and program listings	<b>\$250</b> for each 50 sheets in excess of 100, except for sequence and program listings
Issue Fee	\$ 1370	<b>\$ 1400</b>	\$ 685	<b>\$ 700</b>	<b>\$ 700</b>
Publication Fee	\$ 300	<b>\$ 300</b>	\$ 300	<b>\$ 300</b>	<b>\$ 300</b>
Maintenance Fee - 1st (due at 3.5 years)	\$ 940	<b>\$ 900</b>	\$ 470	<b>\$ 450</b>	<b>\$ 450</b>
Maintenance Fee - 2nd (due at 7.5 years)	\$ 2,150	<b>\$ 2,300</b>	\$ 1,075	<b>\$ 1,150</b>	<b>\$ 1,150</b>
Maintenance Fee - 3rd (due at 11.5 years)	\$ 3,320	<b>\$ 3,800</b>	\$ 1,660	<b>\$ 1,900</b>	<b>\$ 1,900</b>

The fees for design patent applications were similarly structured (i.e., the three-part fee) and increased as shown in the following table.

TYPE OF FEE	LARGE ENTITY		SMALL ENTITY	
	OLD FEE	NEW FEE	OLD FEE	NEW FEE
Filing Fee	Single Fee	Three-Part Fee	Single Fee	Three-Part Fee
<b>Total Fee</b>	\$ 350	<b>\$ 430</b>	\$ 175	<b>\$ 215</b>
Filing fee		<b>\$ 200</b>		<b>\$100</b>
Search fee		<b>\$ 100</b>		<b>\$ 50</b>
Examination fee		<b>\$ 130</b>		<b>\$ 65</b>
Sheets of Specification and Drawing	None	<b>\$ 250</b> for each 50 sheets in excess of 100	None	<b>\$ 250</b> for each 50 sheets in excess of 100
Issue Fee	\$ 490	<b>\$ 800</b>	\$ 245	<b>\$ 400</b>

The most significant changes in the fee schedule for utility patent applications include the new three-part fee structure, a filing fee discount for small entities when filing a utility patent application electronically, and a relatively large fee increase for claims in excess of the maximum number allowed with the filing fee.

Applicants must now pay a three-part filing fee, a search fee and an examination fee when filing a utility or design patent application. The Patent Office will first apply a payment enclosed with a filing of a patent application to the filing fee. If there is any deficiency after paying the filing fee, the patent applicant will receive a notice that sets a time period for payment of the remaining fees. The time period is extendable under the current Patent Office practice with the appropriate surcharge.

The excess claim fee and parts of the three-part fee may be refundable. The excess claim fee may be refunded if the excess claims are cancelled before an examination on the merits. The search fee may be refunded if (1) the applicant files a written declaration of express abandonment before an examination of the application has been made, or (2) if the applicant provides a search report that meets the conditions prescribed by the Director. A search report that meets the conditions prescribed by the Director is a “qualified search report.” The latter condition of getting a refund of the search fee suggests that an applicant may be able to submit a “qualified search report” to forgo paying the search fee. However, such a procedure may not be an option in the near future, as a “qualified search report” is defined as one that may not be from a commercial entity unless “the Director conducts a pilot program of limited scope, conducted over a period of not more than 18 months, which demonstrates that searches by commercial entities of the available prior art relating to the subject matter of inventions claimed in patent applications” are accurate and “meet or exceed the standards of searches conducted by and used by” the Patent Office. Therefore, whether an applicant can submit a previously obtained “qualified search report” to forgo paying the search fee is currently uncertain.

The trademark fees were also increased but will not go into effect until January 31, 2005, for reasons that are explained below. The new trademark fees are shown in the following table.

TYPE OF FEE	PAPER FILING		FILING WITH TEAS (ELECTRONIC)	
	OLD FEE	NEW FEE	OLD FEE	NEW FEE
Filing Fee (per international class)	\$ 335	<b>\$ 375</b>	\$ 335	<b>\$ 325</b>

The 2005 Consolidated Appropriations Act also provided for increased trademark fees, but the fee increase for trademarks did not go into effect on December 8, 2004, for two reasons. First, trademark owners can lose a filing date when the correct fee is not included with the trademark application. Unlike the Patent Office, the Trademark Office does not offer a remedy for submitting a deficient filing fee with a trademark application. Second, because the electronic filing procedure with TEAS was not fully operational, the electronic filing discount could not have been implemented by December 8, 2004.

In support of the fee increase, the Patent Office reported to Congress that, without additional resources, applicants will soon have to wait over *four* years on average before their applications for patent issue. Accordingly, the government increased the patent and trademark fees to provide the Patent Office additional resources to generally reduce the processing time of patent applications. The increased revenue generated from the increased fees will provide the Patent Office with additional staff for processing applications, accelerate the full realization of various electronic document filing and processing programs, and provide surplus funds for engaging in pilot programs to improve various procedures. Additionally, the government discounted the electronic filing fees for patent applications filed by small entities and trademark registration applications in order to provide an incentive to applicants to file electronically.

---

## RECENT FEDERAL CIRCUIT PATENT DECISIONS

### *Section 1: Adverse Inferences from Invocation of the Attorney-Client Privilege Overruled*

***KNORR-BREMSE SYSTEME FUER NUTZFAHRZEUGE GMBH  
v. DANA CORP.***  
(*FED. CIRCUIT – EN BANC; SEPT. 13, 2004*)

In a break from precedent, the Federal Circuit overruled existing case law regarding the relationship between the attorney–client privilege, opinion letters and findings of willful infringement.

Historically, upon a finding of infringement, a court would analyze the totality of the circumstances and increase damages up to three times the amount assessed as an additional, punitive damage if the infringement was “willful.” Precedent dictated that, upon actual notice of another’s patent rights, a potential infringer had an affirmative duty to obtain legal advice from an attorney before proceeding. If no opinion letter was produced at trial or if no opinion letter was sought by the infringer, the case law encouraged the court to adversely infer that the infringer’s actions were willful.

In this radical change, the Federal Circuit held that: (1) it is inappropriate to draw an adverse inference of willful infringement if the infringer invokes either the

attorney-client privilege or the work product privilege during trial; (2) it is inappropriate to draw an adverse inference of willful infringement if the infringer has failed to obtain legal advice; (3) the existence of a substantial defense to infringement, in the case where legal advice was not obtained, is not determinative, but merely a factor in the totality of the circumstances when addressing the willful nature of infringement; and (4) there remains an affirmative duty of due care to avoid infringement of known patent rights. Because the specific issue was not raised on appeal, the Court declined to address whether a fact finder, in balancing the totality of the circumstances, can or should consider whether the infringer obtained legal advice.

The Federal Circuit recognized that previous case law improperly focused on an infringer's disrespect for the law and not on the "significant social importance" of the attorney-client privilege. In support of its decision, the court noted that other areas of the law did not diminish the foundation of the attorney-client relationship by drawing adverse inferences upon the invocation of the privilege.

***Practice Tip: Knorr-Bremse removes from a court's purview the ability to draw adverse inferences in cases where no legal opinion was sought or produced at trial. Significantly, the Federal Circuit's opinion does not prevent courts from considering the absence of an opinion letter when balancing the totality of the circumstances. The Court specifically held that there remains an affirmative duty of due care not to infringe any known patent rights of others. Therefore, obtaining legal advice remains the prudent course of action when presented with actual notice of infringement.***

## *Section 2: Festo Update*

*INSITUFORM TECHS., INC. v. CAT CONTRACTING, INC.*  
(FED. CIRCUIT; OCT. 4, 2004)

Finding that the claim amendment bore no more than a tangential relationship to the equivalent at issue, the Federal Circuit upheld a finding of infringement under

the doctrine of equivalents. The original claim did not limit the number of vacuum cups; the amended claim called for, among other things, a single vacuum cup. In contrast, the accused device utilized multiple vacuum cups to achieve a similar function and result.

According to the patentee, the use of multiple vacuum cups was equivalent to the use of a single cup. Because the claim was amended during prosecution limiting the process to, among other things, the use of a single cup, the accused infringer argued that the *Festo* presumption barred any application of the doctrine of equivalents. (*Festo Corp. v. Shoketsu Kinzoku Kogyo Kabushiki Co., Ltd.* (Fed. Circuit; Sept. 26, 2003)).

In review of the infamous *Festo* decision, the Court explained that when a patentee amends a claim during prosecution for a reason related to patentability, there is a presumption that the patentee has surrendered the territory between the original claim limitation and the amended claim limitation. In other words, absent a rebuttal, the patentee may not use the doctrine of equivalents later in time to reclaim material equivalent to what was surrendered. Because the presumption is not a complete bar, the patentee can rebut the surrender if she establishes that the rationale underlying the narrowing amendment bore no more than a tangential relationship to the equivalent in question, i.e., the accused device.

Because the patentee in *Insituform* amended the claim in response to a prior art reference directed at the location of the vacuum source and not at the use of single or multiple cups, the patentee successfully defeated the *Festo* presumption.

***Practice Tip: Although it is difficult to rebut the Festo presumption, the Federal Circuit has demonstrated that, in certain instances, a patentee may establish that an amendment bore no more than a tangential relationship to the claimed equivalent. Because every application of the Festo presumption is fact-specific, applicants must continue to be sensitive to the potential surrender of claim breadth with each amendment.***

### Section 3: Claim Construction Update

**PHILLIPS v. AWH CORP.**  
(FED. CIRCUIT; JULY 21, 2004)

Asked to resolve issues pertaining to claim construction and the recent schism of case law addressing this murky area, the Federal Circuit has agreed to an *en banc* appeal in *Phillips*. The recent order invited responses to the following seven questions: (1) Should dictionaries or the specification be primarily used in claim construction? If both should be utilized, in what order should the Court consult the sources? (2) If dictionaries are the primary source for claim interpretation, what role does the specification have in potentially limiting the dictionary definition? (3) If the specification is the primary source for claim interpretation, what role do dictionaries play in assessing claim scope? (4) In the alternative, should both a dictionary-first approach and a specification-first approach be treated as complementary methods equally applicable in each case? (5) When should a claim be narrowly construed for the sole purpose of avoiding invalidity? (6) What role should prosecution history and expert testimony play in determining claim scope? (7) What deference should a trial court claim construction be afforded?

**Practice Tip: Awaiting the *en banc* Federal Circuit decision in *Phillips*, the patent world anticipates a resolution clarifying the conflict between the use of intrinsic and extrinsic evidence in claim construction. We will report any decisions in future newsletters.**

#### *Other Developments regarding Claim Construction*

Because the claim term “operatively connected” is not a technical term with a specific meaning in the mechanical arts, the Federal Circuit in *Innova/Pure Water, Inc. v. Safari Water Filtration Sys., Inc.* (Fed. Circuit, Aug. 11, 2004) held that the term should be afforded its full and ordinary meaning. Although the examples in the specification consistently used the term in the context of a “physical engagement result[ing] in a unitary structure,” the Court held that it was improper to narrow

the breadth of the claim in the absence of a clear disavowal “using words or expressions of manifest exclusion or restriction.”

In a similar vein, the Federal Circuit reversed a district court claim construction finding a term unduly limited by the preferred embodiment without an unmistakable disavowal of scope; the ordinary meaning of claims was overlooked. *Home Diagnostics, Inc. v. LifeScan, Inc.* (Fed. Circuit, Aug. 31, 2004). The preferred embodiment equated the claim term “upon detection of a suitable stable endpoint” to waiting a predetermined amount of time. Because the preferred embodiment is only one way of using the invention, the silence with respect to other embodiments could not be regarded as a disavowal of claim scope. The Court further noted that the specification suggested other methods that, when employed, would satisfy the claim limitation.

In *Irdeto Access, Inc. v. Echostar Satellite Corp.* (Fed. Circuit, Sept. 14, 2004), the Federal Circuit indirectly distinguished *Innova* and *Home Diagnostics* by holding that the usage of the term in the specification controlled over any customary meaning. During prosecution, the patentee admitted that while the claim term “group” had no accepted meaning in the art of cryptographic access control technology, the term could be properly understood by reference to the specification. The Court explained that in the absence of an accepted meaning, claim terms are construed only as broadly as they are described in the specification. Therefore, the presumption that claim terms are afforded their ordinary meaning did not apply.

Providing a second example where the customary meaning of a claim term did not control, the Federal Circuit in *Astrazeneca AB v. Mut. Pharm. Co., Inc.* (Fed. Circuit, Sept. 30, 2004) held that a clear disavowal of claim scope could be implied from the patentee’s language in the specification and prosecution history. Although the patentee did not directly state that the claim term “solubilizer” was limited to a particular meaning, the specification stated that “the solubilizers suitable to the invention are defined below.” In addition to defining the term “solubilizer” and describing its features, the specification criticized other products that did not contain



these features. Because “rigid formalism is not required” to act as one’s own lexicographer, the Court narrowed the otherwise broad, ordinary meaning of the term.

**Practice Tip: Until the Federal Circuit clarifies the manner in which claims are construed, applicants are reminded that the ordinary and customary meaning of the terms themselves will generally govern claim construction. However, if the patentee has acted as his own lexicographer or directly or implicitly disavowed any claim scope in the specification or prosecution history, the claims will be appropriately narrowed.**

#### **Section 4: Anticipatory Bar Updates under § 102(b)**

Public accessibility is the touchstone in determining whether a reference is a printed publication under 35 U.S.C. § 102(b). *In re Klopfenstein* (Fed. Circuit, Aug. 18, 2004). Generally speaking, the Patent Act forbids a patent from issuing if the invention was described in a printed publication more than one year before the date of application (the “critical date”). In *Klopfenstein*, the patentee displayed the invention in printed form on poster boards for three days in connection with presentations more than one year before the application date. The Court held that the patentee’s previous publication barred the patent from issuing after balancing the totality of the circumstances. The Court relied on evidence that there were no professional norms entitling the patentee to an expectation that the display would not be copied, that the viewers were free to take notes and photograph the poster boards, and that the novel concept in the patent was easily understood by the audience due to the nature of the invention.

In *Poly-Am., L.P. v. GSE Lining Tech., Inc.* (Fed. Circuit, Sept. 14, 2004), the Federal Circuit addressed the on-sale bar of the Patent Act, which prohibits a patent from issuing if the invention was on sale before the critical date. The Court explained that although the product was both on sale more than one year before the filing date and

capable of performing the claimed method, the product was not used in the claimed process until after the critical date. Moreover, because the process was not ready for patenting until after the critical date, the sale of the third-party product did not invalidate the patent.

The absence of confidentiality agreements is only one factor in the totality of the circumstances when determining if a patented design was publicly used prior to the critical date. *Bernhardt, L.L.C. v. Collezione Europa USA, Inc.* (Fed. Circuit, Oct. 20, 2004). The Federal Circuit held that the district court in *Bernhardt* erred by not considering the fact that confidentiality agreements might not be needed in certain industries. Because the patentee took other safeguards and could reasonably expect a high level of secrecy, the alleged display of patented designs in a furniture showcase did not invalidate the patent.

Addressing the issue of infringement in *Bernhardt*, the Court further noted that an accused product must be substantially similar to the claimed design from the standpoint of an ordinary observer. In addition, the accused product must also incorporate the points of novelty of the claimed design. However, the Court held that the patentee is not generally required to explain novel aspects through expert testimony. A district court should be able to determine the points of novelty from the design patent itself, the cited prior art references, the prosecution history, and the party’s contentions as to the points of novelty. Because the patentee submitted proposed findings of fact and conclusions of law addressing the points of novelty present in the patented design, the district court erred in requiring additional testimony.

**Practice Tips: Patent applicants must be mindful of the strong public policy behind the printed publication and on-sale bars of the Patent Act. The Federal Circuit has made clear that it is against public policy for an inventor to delay filing a patent application while commercializing the invention. With respect to design patent infringement, it is now settled that patentees are only required to highlight the points of novelty in the claimed design. However, it is wise for patentees to support their contentions using expert testimony in an effort to convince the court of their interpretation.**

### Section 5: Obviousness Updates

An obviousness determination involving two or more references requires, among other things, motivation to combine the prior art. The Federal Circuit held in *Cardiac Pacemakers, Inc. v. St. Jude Medical, Inc.* (Fed. Circuit, Aug. 31, 2004) that it was improper for the district court to find a motivation to combine references based upon a known need for the patented invention. “Recognition of the problem . . . does not render obvious the achievement that meets that need.” In other words, the Court recognized that the motivation behind solving a problem is different from the motivation required to create the inventive solution to that problem.

Further addressing the standards behind combining references in an obviousness decision, the Federal Circuit rejected a patent application directed at a shoe sole with increased traction. *In re Fulton* (Fed. Circuit, Dec. 2, 2004). The applicant argued that the references cited by the Patent Office did not recognize the importance of the claimed features in the shoe sole over other alternatives in the prior art. Therefore, the applicant argued that the prior art: (1) failed to suggest the combination of the references; and (2) taught away from the claimed invention. The Federal Circuit, however, noted that the question for obviousness is not whether the prior art illustrates the most desired combination, but rather whether there is something that would suggest the desirability of the invention. Furthermore, the Court held that the law does not require that the prior art references be combined for the same reasons the applicant created the combination. Because the references did not discourage or criticize other alternatives, it did not teach away, but rather suggested the obvious combination.

Analyzing the obviousness of a weight plate with three grips over prior art references disclosing plates with one, two and four grips, the Federal Circuit held that when a claim discloses a limitation falling within a known range, there is a presumption of obviousness. *Iron Grip Barbell Co., Inc. v. USA Sports, Inc.* (Fed. Circuit, Dec. 14, 2004). Because there was no evidence of teaching away in the prior art references, and because the three-grip weight plate

did not produce any unexpected results, the Court turned to secondary factors in determining obviousness. The Court next found that there was no nexus between commercial success and a three-grip weight plate. Moreover, while the alleged infringer copied the design, the Court held that this act alone did not negate the otherwise obvious nature of the claimed plate. The patent was held invalid.

In response to *Oddzon Prods., Inc. v. Just Toys, Inc.* (Fed. Circuit, Aug. 8, 1997), Congress recently amended the Patent Act by enacting the *Cooperative Research and Technology Enhancement (CREATE) Act of 2004*. The Federal Circuit in *Oddzon* sent a clear message to Congress in 1997 when it specifically interpreted the Patent Act to exclude from obviousness determinations certain prior art references owned by the same entity to the disadvantage of entities working under a joint R&D agreement. Effective December 10, 2004, the Act amended 35 U.S.C. § 103(c) to allow joint researchers the same ability to disqualify certain prior art references owned by any party subject to the same written, joint research agreement.

**Practice Tips: Addressing issues of obviousness during prosecution and in litigation, applicants and patentees are reminded that a motivation to combine references is distinct from the recognition of a problem. Additionally, the Federal Circuit has articulated that a reference teaches away from an obvious approach when it actively discourages or criticizes a particular methodology. A reference does not teach away when it merely recognizes a better approach. Lastly, with the enactment of amended 35 U.S.C. § 103(c), corporations and universities are encouraged to continue and consider future joint research projects recognizing that certain prior art references owned by an entity part of the agreement cannot be used against patent applications stemming from the joint research.**

### Section 6: Means Plus Function Updates

In *Lighting World, Inc. v. Birchwood Lighting, Inc.* (Fed. Circuit, Sept. 3, 2004), the district court held that the claim term “connector assembly” invoked



means plus function treatment in the absence of the phrase “means for” because the claim limitation described only a function and not the structure performing that function. The Federal Circuit, however, reversed, acknowledging the heavy presumption against applying 35 U.S.C. § 112, ¶ 6 and explaining that even when claim terms cover a plurality of different structures, the claim does not invoke means plus function interpretation. “What is important is whether the term is one that is understood to describe structure, as opposed to a term that is simply a nonce word or a verbal construct that is not recognized as the name of structure and is simply a substitute for the term ‘means for.’” Furthermore, the Federal Circuit implicitly endorsed the use of dictionaries in determining whether a claim term denotes structure or a class of structure.

In a related opinion, the Federal Circuit held that the presumption in favor of applying means plus function construction where the term “means for” is present was rebutted due to the amount of structure present in the limitation. *Searfoss v. Pioneer Consol. Corp.* (Fed. Circuit, July 6, 2004). Additionally, the Court affirmed the district court construction of the term “connecting” as requiring a direct connection. As a result, the application of the doctrine of equivalents did not apply when the accused device utilized an indirect connection. The Court stated that to read out the limitation directed toward a direct connection would be to vitiate the connecting function. Because the accused device operated in a different way, i.e., through indirect connection, there could be no finding of infringement.

In *Versa Corp. v. AG-Bag Int’l., Ltd.* (Fed. Circuit, Dec. 14, 2004), the Federal Circuit held that, when interpreting a means plus function claim, the claim should be construed to include only the structure necessary to complete the stated function. The patentee claimed a compost bagging machine for bagging compost material including “means associated with the bagging machine for creating air channels.” The specification explained that, while a perforated pipe would be sufficient to achieve decomposition, the use of additional flutes was preferred. Therefore,

construing the means plus function limitation to include both flutes and a perforated pipe was improper. The flutes were not essential structure. The court found additional support in the claim language and under the doctrine of claim differentiation.

***Practice Tips:* Although it is often easy to draft claims in means plus function form, a patentee may risk a narrow claim construction based upon the structure disclosed in the specification. Because of this potentially adverse result, applicants are reminded to carefully choose claim terms that either purposefully invoke or avoid means plus function treatment.**

### ***Section 7: Infringement and Damages Updates***

On an issue of first impression, the Federal Circuit held that infringement under §271(f)(1) applies only to situations where components of a patented invention are “physically present in the United States and then either sold or exported in such a manner as to actively induce the combination of such components outside the United States in a manner that would infringe the patent if such combination occurred within the United States.” *Pellegrini v. Analog Devices, Inc.* (Fed. Circuit, July 8, 2004). Historically, § 271(f) was enacted in 1984 out of concern that manufacturers could avoid U.S. patent infringement if patented components were made in the United States and then shipped abroad for assembly. In *Pellegrini*, the Court found no infringement because the alleged infringer manufactured patented components outside the United States, and further because the components were never physically shipped to or from the United States. The fact that the accused infringer was an American corporation that designed the components inside the United States and shipped from the United States instructions for their manufacture and combination did not control the analysis. In interpreting § 271(f)(1), the Court stressed the territorial application of U.S. Patent Law while further explaining that, in general, patent infringement occurs where the act of making, selling, offering for sale or importing occurs, and not where the injury is felt. Because no component

was shipped to or from the United States, the district court's finding of noninfringement was affirmed.

After a lengthy history, the Federal Circuit once again heard an appeal from the district court in *Juicy Whip, Inc. v. Orange Bang, Inc.* (Fed. Circuit, Sept. 3, 2004). In a case that had languished in the courts since 1999, Orange Bang was previously held to have infringed Juicy Whip's patent directed at a post-mix beverage dispenser that imitates a pre-mix dispenser. The invention generally consists of a transparent bowl that creates the impression that it is the source of the dispensed beverage. Affording the dispenser a greater capacity to store liquid and further preventing bacteria growth, the invention maintains separate compartments for syrup and pre-mixed water. In the most recent district court opinion, the court prevented Juicy Whip from offering testimony regarding its lost syrup sales. The Federal Court reversed on the basis of the entire market value rule articulated in *Rite-Hite v. Kelley Co.* (Fed. Circuit, June 15, 1995).

In *Rite-Hite*, the court explained that a patentee could recover lost profits on, among other things, unpatented components sold separate from the patented invention so long as: (1) the unpatented components were considered part of a single, complete assembly or machine; or (2) the unpatented components, together with the patented invention, constituted a functional unit. Because Juicy Whip's dispenser functioned with the syrup to imitate the visual appearance of a pre-mix dispenser, the Federal Circuit held that the two components worked together to achieve a single result. Accordingly, the district court improperly denied Juicy Whip's motion to present evidence establishing its lost syrup profits.

In *Centricut, L.L.C. v. Esab Group* (Fed. Circuit, Dec. 6, 2004), the Federal Circuit addressed the burden of proof required of a patentee when establishing infringement. Refusing to adopt a hard rule, the Court held that, when a patent involves complex technology and when the accused infringer presents expert testimony negating infringement, the patentee can satisfy its burden only through use of expert testimony refuting that of the accused infringer. However, the Court did note that, in many patent cases, patentees need not present expert testimony where the art is not unduly

complex. Because the district court described the invention (plasma arc torch electrodes) as "black art," the Court held that the patentee had not met its burden of proof.

***Practice Tips:* Patentees are reminded that there remain loopholes in the patent system when seeking to enforce patent rights against foreign activity. Furthermore, patentees should be mindful in litigation to seek damages based on lost profits of unpatented components if they operate as a functional unit with the patented device. In seeking an infringement determination, patentees are similarly reminded that their burden of proof increases proportionally with the level of complexity in the art.**

## VEDDER PRICE ADDS THREE PROFESSIONALS TO INTELLECTUAL PROPERTY STAFF

Two associates, Patrick Law and Saeid Mirsafian, have joined the firm in the fourth quarter of 2004 as associates in our Intellectual Property practice group. Both gentlemen are licensed to practice law in Illinois and before the United States Patent and Trademark Office.

**Patrick B. Law** is a graduate of Iowa State University (B.S.E.E.) and the University of Missouri-Kansas City School of Law. Prior to private practice, he worked as an electrical engineer for an engineering design firm and as a Patent Examiner at the United States Patent and Trademark Office in Arlington, Virginia. Mr. Law focuses on patent prosecution and has prepared and prosecuted patent applications in the electrical arts, including mobile and network communications and semiconductor fabrication. He has also prepared infringement and invalidity opinions.

**Saeid Mirsafian's** practice focuses on patent litigation and prosecution in the mechanical and electrical areas. He has prepared and prosecuted numerous patent applications in various representative arts including aerospace, software, control systems, automotive, physics, optics and medical devices. Earlier in his career, Mr. Mirsafian worked as a Research & Development Engineer at Aerotech Engineering & Research Corporation in Lawrence, Kansas. As an R&D engineer, he conducted projects including wind tunnel testing of scaled aircraft models, design, testing and manufacturing of aircraft and missile parts, and research on a variety of advanced scientific and engineering disciplines. Mr. Mirsafian has B.S. and M.S. degrees in aerospace engineering from Wichita State University, and a Ph.D. in aerospace engineering from University of Kansas. Mr. Mirsafian is a graduate of IIT Chicago-Kent College of Law.

Also joining the group is Patent Agent **Donald L. Andruska**. Mr. Andruska has worked for a number of technology companies as a computer engineer and software developer. He has extensive experience in telecommunications networks, telephone switching systems and embedded computer control systems. Mr. Andruska is a graduate of the University of Illinois at Urbana (B.S. in mathematics) and Northwestern University (M.S. in computer science).

## VEDDER, PRICE, KAUFMAN &amp; KAMMHOLZ, P.C.

*IP Strategies* is a periodic publication of Vedder, Price, Kaufman & Kammholz, P.C. and should not be construed as legal advice or legal opinion on any specific facts or circumstances. The contents are intended for general informational purposes only, and you are urged to consult your lawyer concerning your specific situation and any legal questions you may have.

We welcome your suggestions for future articles. Please call **Angelo J. Bufalino**, the Intellectual Property and Technology Practice Chair, at 312/609-7850 with suggested topics, as well as other suggestions or comments concerning materials in this newsletter.

Executive Editor: **Angelo J. Bufalino**. Contributing Authors: **Saeid Mirsafian** and **William J. Voller**. © 2005 Vedder, Price, Kaufman & Kammholz, P.C. Reproduction of this newsletter is permitted only with credit to Vedder, Price, Kaufman & Kammholz, P.C. For additional copies or an electronic copy of this newsletter, please contact Mary Pennington at her e-mail address: mpennington@vedderprice.com, or at 312/609-5067.

### About Vedder Price

Vedder Price is a national, full-service law firm with approximately 210 attorneys in Chicago, New York and Roseland, New Jersey.

### Technology and Intellectual Property Group

Vedder, Price, Kaufman & Kammholz, P.C. offers its clients the benefits of a full-service patent, trademark and copyright law practice that is active in both domestic and foreign markets. Vedder Price's practice is directed not only at obtaining protection of intellectual property rights for its clients, but also at successfully enforcing such rights and defending its clients in the courts and before federal agencies, such as the Patent and Trademark Office and the International Trade Commission, when necessary.

We also have been principal counsel for both vendors and users of information technology products and services. Computer software development agreements, computer software licensing agreements, outsourcing (mainly of data management via specialized computer software tools, as well as help desk-type operations and networking operations), multimedia content acquisition agreements, security interests in intellectual property, distribution agreements and consulting agreements, creative business ventures and strategic alliances are all matters we handle regularly for our firm's client base.

#### Chicago

222 North LaSalle Street  
Chicago, Illinois 60601  
312/609-7500  
Fax: 312/609-5005  
Contact: Angelo J. Bufalino

#### New York

805 Third Avenue  
New York, New York 10022  
212/407-7700  
Fax: 212/407-7799  
Contact: Neal I. Korval

#### New Jersey

Five Becker Farm Road  
Roseland, New Jersey 07068  
973/597-1100  
Fax: 973/597-9607  
Contact: John E. Bradley

[www.vedderprice.com](http://www.vedderprice.com)