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***SUPREMA, INC. V. ITC: INDUCEMENT  
OF POST-IMPORTATION INFRINGEMENT***

By Joshua Hartman

In an appeal from an investigation before the U.S. International Trade Commission (ITC or the “Commission”), the Federal Circuit held that inducing infringement does not violate 19 U.S.C. § 1337 if the underlying direct infringement only occurs post-importation. Slip Op. at 4. The court’s opinion impacts the relief available to patentees of method claims before the ITC.

The underlying ITC investigation involved fingerprint scanners. The complainant, Cross Match Technologies, Inc. (“Cross Match”), a U.S. company, provides fingerprint acquisition technology. Cross Match asserted infringement against Suprema, Inc. (“Suprema”), a Korean manufacturer and importer of fingerprint scanners, and Mentalix, Inc. (“Mentalix”), a U.S. company that imports Suprema’s scanners and combines them with its own software.

In the investigation, Cross Match asserted method claims of U.S. Patent Nos. 7,203,344 (“the ’344 patent”) and 7,277,562 (“the ’562 patent”) against Suprema scanners using Suprema and Mentalix software, and it asserted system claims of U.S. Patent No. 5,900,993 (“the ’993 patent”) against Suprema scanners. The Commission found that respondents violated Section 337, as Mentalix directly infringed the ’344 patent by combining its software with imported Suprema scanners and executing that software, and as Suprema induced Mentalix’s direct infringement. The Commission also found a violation for the ’993 patent, as the asserted claim was infringed by Suprema scanners and was not rendered obvious by certain prior art. And the Commission found no violation as to the ’562 patent, as neither Suprema scanners, nor Suprema scanners combined with Mentalix software, infringed.

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The Commission issued limited exclusion and cease-and-desist orders based on the Section 337 violations for the '344 and '993 patents. Suprema appealed the Commission's violation findings. Cross Match appealed the Commission's noninfringement finding for the '562 patent.

In the consolidated appeals, the Federal Circuit panel majority (Judges Prost and O'Malley) agreed that Suprema had not violated Section 337 as to the '344 patent. The majority held that that an exclusion order based on a violation of Section 337 "may not be predicated on a theory of induced infringement where no direct infringement occurs until after post-importation." Slip Op. at 6. The court noted that Section 337(a)(1)(B), which defines "unlawful" acts, concerns "articles that . . . infringe." *Id.* at 16 (citation omitted). It explained that the text's "focus is on the infringing nature of the articles at the time of importation, not on the intent of the parties with respect to the imported goods." *Id.* (quotation marks omitted). The court also relied on Section 337(d)(1), which grants the ITC authority to exclude "the articles concerned" for violations of Section 337. *Id.* at 17 (citation omitted). The court held that, because "the articles concerned" refers to the "articles that infringe" of Section 337(a)(1)(B)(i), exclusion orders "pertain only to the imported goods and are necessarily based on the infringing nature of those goods when imported." *Id.*

To determine whether goods imported to induce infringement are "articles that infringe," the majority turned to 35 U.S.C. § 271. *Id.* at 18. It reasoned that Section 271(a)'s and (c)'s definitions of direct and contributory infringement are tied to articles, whereas Section 271(b)'s definition of inducement is not. *Id.* at 19. Instead, Section 271(b) focuses on the infringer's acts, not particular articles. According to the court, an inducement is not complete until a direct infringement occurs, and an inducing act becomes tied to an article only through an underlying direct infringement. *Id.* at 20. The court therefore concluded that inducing infringement of method claims cannot violate Section 337 in circumstances in which there are no direct infringement occurs before importation. *Id.* at 21. Because Mentalix's direct infringement occurred only after it imported Suprema's scanners, Suprema's inducement of Mentalix's post-importation direct infringement did not violate Section 337.

Judge Reyna dissented from this part of the court's opinion. According to Judge Reyna, "the majority overlooks the Congressional purpose of Section 337, the long established agency practice by the Commission of conducting unfair trade investigations based on induced patent infringement, and related precedent by this Court confirming this practice." Dissent at 4. He explained: "I see no distinction between importing an article that meets all limitations of an apparatus claim as it crosses the border, and actively inducing infringement by importing an article and encouraging another to use that article to practice a patented method. In both cases, a patented invention is practiced within the country without authority as a result of importation." *Id.* at 14.

In addition, the court affirmed the ITC's finding of a violation for the '993 patent. The court found that the patent's written description does not disclaim optical systems including nonlens elements, such that the presence of mirrors within Suprema's scanners did not avoid infringement. It also found that the respondents failed to prove that a person of ordinary skill in the art would have been motivated to combine two prior art optical systems. The court explained that expert testimony stating that a skilled artisan "could very well" combine these systems was not clear and convincing evidence that the artisan would "specifically seek" to do so. *Id.* at 35. That one of the prior art optical systems was "well suited for photographic cameras, not fingerprint scanners," further supported nonobviousness for the '993 patent. *Id.* (quotation marks omitted).

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## The court emphasized that an inducement is not complete until a direct infringement occurs, and that an inducing act becomes tied to an article only through an underlying direct infringement.

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Finally, the court affirmed the Commission's noninfringement finding for the '562 patent. It agreed with the Commission's construction of the claim term "capture" as requiring image processing to be performed before the image is "captured." Because Suprema's scanners perform the image-processing steps only after "capture," they do not infringe. *Id.* at 37-41.

On February 21, 2014, the Commission and Cross Match filed petitions for rehearing en banc on the issue of whether a Section 337 violation may be based on inducement where the underlying direct infringement occurs after importation. According to the Commission's petition, "the panel not only overturned decades of Commission practice affirmed by the courts, but also upended the law of induced infringement." Comm'n Pet. for Reh'g at 7. The Commission and Cross Match argue that consideration of the issue by the full court is warranted because the majority's holding is contrary to (1) the text of Section 337, which does not support the majority's distinction between induced infringement and contributory infringement, and which by its terms reaches post-importation activity; (2) longstanding Commission practice, to which the majority should have deferred; and (3) the legislative history, which shows that Congress endorsed the Commission's practice of issuing exclusion orders to remedy induced infringement of method claims.

*Suprema* is an important decision for Section 337 practice. The ITC assesses whether an article infringes at the time of importation, but an article capable of performing a claimed

method may not directly infringe a claimed method until after importation. *Suprema's* holding makes it more difficult to establish a Section 337 violation based on induced infringement of method claims in such circumstances.

## **IBORMEITH V. MERCEDES: INDEFINITENESS OF MEANS- PLUS-FUNCTION LIMITATIONS**

By Nathan Sabri

The Federal Circuit recently addressed the definiteness of means-plus-function limitations in a case involving sleepiness-monitoring technology. Affirming a grant of summary judgment of indefiniteness, the court bound plaintiff Iborneith IP, LLC (“Iborneith”) to its expert’s broad infringement assertions, and held that providing a “template” for a person of ordinary skill in the art to construct an algorithm may be insufficient to define a structure under 35 U.S.C. § 112(f). *Iborneith IP, LLC v. Mercedes-Benz USA, LLC*, 732 F.3d 1376 (Fed. Cir. 2013).

Section 112(f) permits a claim limitation to be “expressed as a means or step for performing a specified function without the recital of structure, material, or acts in support thereof.” Such “means-plus-function” limitations are “construed to cover the corresponding structure, material, or acts described in the specification and equivalents thereof.” *Id.* In return for this benefit of including equivalents in the literal coverage of a claim, the patentee must sufficiently define in the specification a structure tied to the claim. *Iborneith IP*, 732 F.3d at 1379.

The *Iborneith* case involved U.S. Patent No. 6,313,749 (“the ’749 patent”), titled “Sleepiness Detection for Vehicle Driver or Machine Operator.” The ’749 patent addresses monitoring a vehicle driver’s sleepiness by taking into account multiple factors, including circadian rhythm, repeated or large corrective steering actions, monotony of road, cabin temperature and length of driving session.

Iborneith brought suit against Mercedes-Benz USA, LLC (“Mercedes-Benz”), and Daimler AG (“Daimler”), asserting two independent claims subject to the requirements of 35 U.S.C. § 112(f) and two claims depending from those independent claims. *Iborneith IP, LLC v. Mercedes-Benz USA, LLC*, 889 F. Supp. 2d 677, 680 (D.N.J. 2012). One independent claim included the limitation “computational means for weighting the operational model according to time of day in relation to the driver or operator circadian rhythm pattern(s) and for deriving, from the weighted model, driver or operator sleepiness condition and producing an output determined thereby.” *Id.* at 681. The other included a similar limitation: “computational means for computing steering transitions and weighing that computation according to time of day, to provide a warning indication of driver sleepiness.” *Id.*

## **RECENT MOFO IP AWARDS**

**THE  
AMERICAN LAWYER**

*The American Lawyer* named San Francisco partner Harold McElhinny one of its Litigators of the Year.

**LAW360**

San Francisco partner David Doyle was named one of *Law360's* MVPs of the Year for Life Sciences.

**BENCHMARK  
LITIGATION** 

Morrison & Foerster was awarded three awards at the second annual U.S. Benchmark Litigation Awards — California Firm of the Year, Intellectual Property Firm of the Year and Impact Case of the Year — each for the second year in a row.



San Francisco partners Michael Jacobs, Rachel Krevens and Harold McElhinny won the 2014 California Lawyer Attorneys of the Year (CLAY) Award for Intellectual Property.

# INTELLECT WIRELESS V. HTC: CURING MISREPRESENTATIONS TO THE PTO

By Jessica Anne Roberts

Affirming a finding of unenforceability due to inequitable conduct, the Federal Circuit recently confirmed that its *Therasense* decision “in no way modified” its previous ruling that “the materiality prong of inequitable conduct is met when an applicant files a false affidavit and fails to cure the misconduct.” Slip Op. at 7. The Federal Circuit also found that a “pattern of deceit” makes “the inference stronger” for the intent prong of inequitable conduct. *Id.* at 10.

Intellect Wireless Inc. (“Intellect”) sued HTC Corporation and HTC America, Inc. (collectively, HTC), for patent infringement (*Intellect Wireless v. HTC*, No. 2012-1658 (Fed. Cir. Oct. 9, 2013)). Each asserted patent had the same specification, which disclosed providing caller identification (ID) information from a message center to a personal communication device (e.g., a cell phone) via a wireless network, and displaying the caller ID information on the cell phone’s screen. *Id.* at 2. After a bench trial, the district court held the asserted patents unenforceable due to inequitable conduct by the sole inventor, Daniel Henderson. *Id.* at 3.

In its decision, the Federal Circuit stated that, “[t]o prove inequitable conduct, the challenger must show by clear and convincing evidence that the patent applicant (1) misrepresented or omitted information material to patentability, and (2) did so with specific intent to mislead or deceive” the PTO. *Id.* (citing *In re Rosuvastatin Calcium Patent Litig.*, 703 F.3d 511, 519 (Fed. Cir. 2012)). Moreover, “[w]hen the patentee has engaged in affirmative acts of egregious misconduct, such as the filing of an unmistakably false affidavit, the misconduct is material.” Slip Op. at 3 (citing *Therasense, Inc. v. Becton, Dickinson & Co.*, 649 F.3d 1276, 1292 (Fed. Cir. 2011) (en banc)).

The unanimous decision noted, “It is undisputed that Mr. Henderson’s original declaration was unmistakably false.” *Id.* at 5. Contrary to the declaration, Mr. Henderson did not actually reduce the claimed invention to practice and he did not demonstrate a prototype in July 1993. Thus, “[a]bsent curing, this alone establishes materiality.” *Id.* at 5. The court went on to reiterate the requirements for curing—which it found Intellect did not meet.

To “cure” after filing a false declaration, the Federal Circuit explained that the applicant must “expressly advise the PTO of [the misrepresentation’s] existence, stating specifically wherein it resides.” *Id.* (citing *Rohm & Haas Co. v. Crystal Chem. Co.*, 722 F.2d 1556, 1572 (Fed. Cir. 1983)). Further, “if the misrepresentation is of one or more facts, the PTO [must]

Iborneith argued that the corresponding structure was an algorithm in the specification’s text or tables (Table 10). *Id.* at 685. Iborneith cited text that included “a monitor taking account of circadian and sleep parameter . . . integrated with ‘real-time’ behavioral sensing,” and an explanation that aberrant steering behavior “could be recognized and corrected.” *Id.* at 685-86. Table 10 presented an equation under the title “Sleep Propensity Algorithm – Definition”:  $S_{mod} = S_{circ} + S_{zerox} + S_{rms} + S_{light} + S_{temp} + S_{sleep} + S_{road} + S_{trip}$ . *Id.* at 686.

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## The Federal Circuit relied heavily on Iborneith’s litigation positions to reach the conclusion that Table 10 did not provide the necessary algorithm.

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The district court rejected these arguments. It held that the cited text simply described the claimed function and that Table 10 did not disclose an algorithm for deriving a score for driver sleepiness or for providing a warning indication of sleepiness. *Id.* at 685-86, 692.

The Federal Circuit agreed. The court stated that the only substantial question was whether an algorithm was found in Table 10, and therefore focused its discussion on the table. *Iborneith*, 732 F.3d at 1379.

The Federal Circuit relied heavily on Iborneith’s litigation positions to reach the conclusion that Table 10 did not provide the necessary algorithm. The court noted that Iborneith’s expert opined that Table 10 was not meant to be an algorithm that simply added inputs, but rather an algorithm “template.” *Id.* at 1381. According to Iborneith’s expert, the patent allows the implementer of a drowsiness-detection system to determine “which factors to use in the algorithm, how to obtain them, how to weight them . . . how to combine them, and when to issue the warning.” *Id.* The expert interpreted the patent to provide this broad corresponding structure in order to encompass the accused products. *Id.*

The court treated this broad reading of the corresponding structure as a “binding admission” that rendered the limitation indefinite. *Id.* Iborneith’s position suggested that Table 10 covers all ways of taking into account the variables that a person of ordinary skill in the art would find appropriate. *Id.* In the view of the court, this broad reading left the disclosure “without an algorithm whose terms are defined and understandable.” *Id.*

The *Iborneith* case illustrates the importance of both providing adequate corresponding structure in the specification for a Section 112(f) limitation, and avoiding reading that structure so broadly as to render the limitation indefinite.

be advised what the actual facts are.” Slip Op. at 5. Finally, the applicant must “take the necessary action . . . openly. It does not suffice that one knowing of misrepresentations in an application or in its prosecution merely supplies the examiner with accurate facts without calling his attention to the untrue or misleading assertions sought to be overcome, leaving him to formulate his own conclusions.” *Id.*

Applying this standard to Mr. Henderson’s conduct, the Federal Circuit held that the misrepresentations made to the PTO were not cured. While Mr. Henderson filed a second declaration that was slightly different from the first, the Federal Circuit found that “[n]owhere did the declaration openly advise the PTO of Mr. Henderson’s misrepresentations” as required under *Rohm*. *Id.* Thus, the Federal Circuit held that, “[g]iven the false statements and the clear failure to do what is necessary according to our precedent to cure the misconduct, the argument that materiality has not been established is *entirely without merit*.” *Id.* at 8 (emphasis added).

Next, the Federal Circuit looked to the second prong for a finding of inequitable conduct—intent. The Federal Circuit made clear that the “finding of intent could be affirmed based on the content of the two declarations.” *Id.* at 10. Specifically, completely false statements in a first declaration were followed by a replacement declaration that, “rather than expressly admitting the earlier falsity, dances around the truth.” *Id.*

This case clarifies that *Therasense* did not change the standard for curing a misrepresentation to the PTO. Thus, it is important to realize that any revised declaration must, at a minimum: (1) expressly identify prior misrepresentations, and (2) advise the PTO of the actual facts.

## IPR’S LIMITED GROUNDS PROVE CHALLENGING FOR PETITIONERS

By David Fehrman, Matthew Kreeger, and Jennifer White

The post-grant inter partes review (IPR) procedure was introduced in September 2012 as a replacement for inter partes reexams, and as a faster, cheaper alternative to litigation.<sup>1</sup> In an IPR, a petitioner can challenge a patent by asserting that the patent is invalid because prior art patents or printed publications anticipate or render obvious the patent claims.

A year after the procedure’s introduction, questions about its implementation and efficacy are starting to be answered. From a potential petitioner’s standpoint, early results provide reason for optimism. For one thing, the statutorily quick IPR

timeframe appears to be working as advertised—final decisions are being issued within a year of the decision to institute the procedure. In addition, roughly 70 percent of the IPR petitions filed have been granted by the Patent Trial and Appeal Board (PTAB), and of those, the board has agreed to review about 95 percent of the claims raised.

Of potential concern, however, is the PTAB’s tendency to grant IPRs on only a subset of the grounds raised in a petition—about 50 percent on average. The remaining grounds are typically denied as cumulative or redundant. The PTAB has justified these denials as necessary for the “just, speedy, and inexpensive resolution of every proceeding” as specified in C.F.R. § 42.1(b). Unfortunately for petitioners, the denied grounds may still count as grounds that were “raised or reasonably could have been raised”—and therefore subject to estoppel under 35 U.S.C. § 315(e).

If the references cited by petitioners were truly “cumulative or redundant,” this potential estoppel might be less troubling. The teachings of references are rarely identical, however, and minor differences can become major differentiators in ways that are difficult to predict at the outset of a proceeding. Depending on arguments made by a patent owner, certain art may ultimately be stronger or weaker relative to other, similar art—yet the petitioner is likely foreclosed from bringing in any grounds (and associated references) that were previously denied.

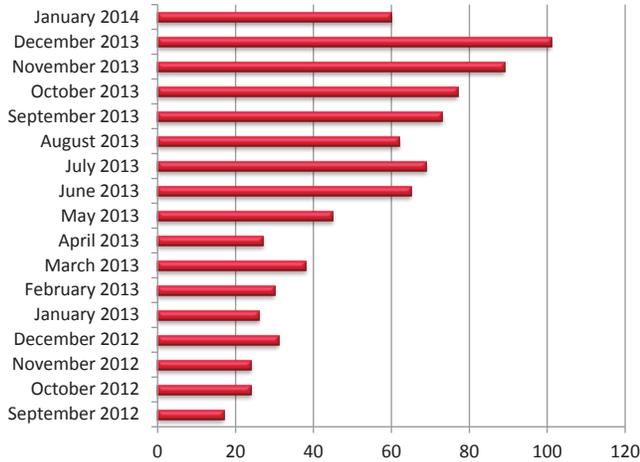
An additional complication is that all references do not have the same prior art status. One reference may qualify as (pre-AIA) §102(a) prior art (which can be “sworn behind”), while another reference may qualify under §102(b) (which cannot). If the PTAB discards the §102(b) reference as redundant, the patent owner may then be able to swear his or her way out of invalidity. The frustrated petitioner may then be estopped from ever challenging the patent based on the §102(b) reference.

The PTAB may even consider obviousness grounds redundant with respect to anticipation grounds, despite the different legal standards for assessing these bases for invalidity. Anticipation is an all-or-nothing proposition: either all of the claim elements are found in a single reference or they are not. A slightly narrower claim construction can derail an anticipation argument, as can a slightly different reading of a reference. Obviousness is more flexible, as it allows a petitioner to submit multiple references to supply all of the required claim elements. Its flexibility may, however, give the patent owner more maneuvering room.

From a petitioner’s standpoint, it may be desirable to go in with both types of arguments, and pivot based on the how the proceeding unfolds—but the PTAB’s stance on redundancy may thwart this approach.

<sup>1</sup> For additional discussion of the IPR procedure and estoppel effects, see <http://www.mofo.com/files/Uploads/Images/120307-Patent-Litigation-Strategy.pdf>.

## IPR Petitions Filed

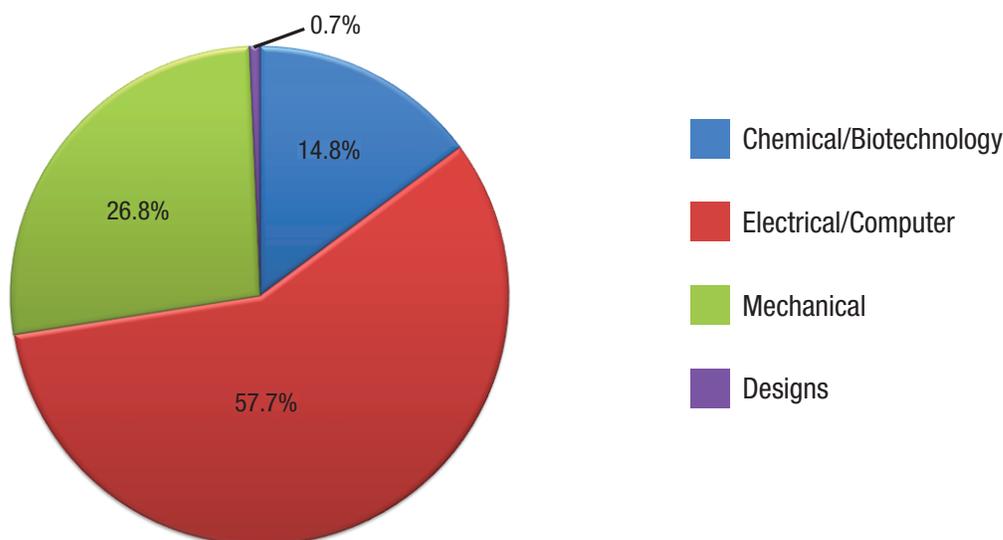


In one IPR proceeding, for example, a petitioner asserted that the targeted patent claims were invalid as being anticipated by Patent A and were also invalid as being obvious based on the combination of Patent A and Patent B. The PTAB granted the petition based on the anticipation grounds, but declined to institute a proceeding based on the obviousness grounds, finding them to be redundant.

In this case, if the PTAB had found that anything—however minor—was missing from the Patent A disclosure relative to the patent claims in question, the inquiry would have ended there. The petitioner would not have been able to fall back on Patent B (or another reference) to argue that a missing claim element was obvious.

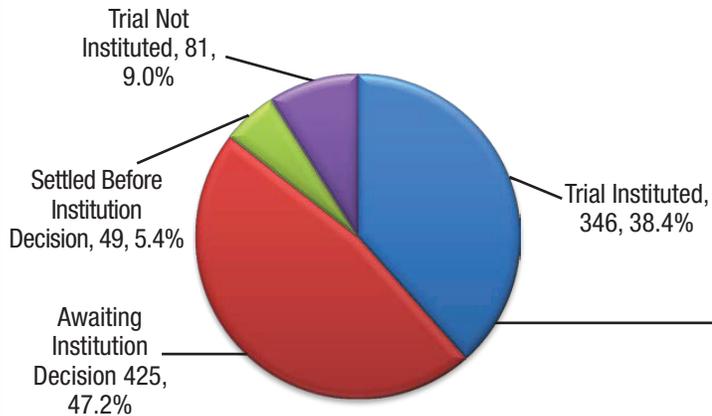
Notwithstanding these challenges, IPRs can still provide an effective mechanism for a petitioner to invalidate a patent quickly and inexpensively (relative to litigation). As of this writing, eight IPR decisions have been issued—all of which were favorable for the petitioner. However, petitioners must carefully consider the potential implications of focusing on one reference or ground over others and tailor their petitions accordingly, in view of the PTAB’s approach to redundancy.

## IPR Petitions by Technology Center



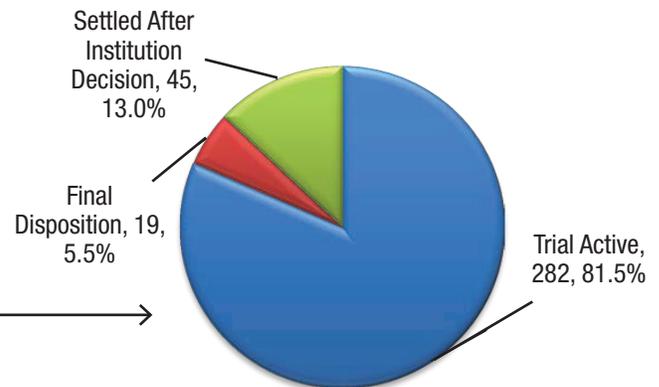
## Current Status of All IPRs\*

### Status of Petitions



Note: "Trial Not Instituted" includes denied IPRs, requests for entry of adverse judgment, and dismissals. "Trial Instituted" includes consolidated cases.

### Status of Trials Instituted



Note: "Final Disposition" includes final written decisions on the merits and requests for entry of adverse judgment.

\*As of February 25, 2014

## UPCOMING EVENTS: WHERE TO FIND US

**March 5-7, 2014**

Palo Alto, CA  
Stanford BioDesign Executive Forum

**March 18, 2014**

Los Angeles, CA  
USC IP Law Institute

**March 17, 2014**

San Francisco, CA  
PLI 8th Annual Patent Law Symposium

**April 3, 2014**

Berkeley, CA  
BCLT Copyright Symposium

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