

# Greenblum & Bernstein, P.L.C.

## LITIGATION NEWSLETTER

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#### **Federal Circuit Reverses Judgment Of Infringement**

In *CardSoft, LLC v. VeriFone, Inc.* (Appeal No. 2014-1135), the Federal Circuit held that the district court erred in its construction of "virtual machine," and reversed the judgment of infringement.

In 2008, CardSoft sued Verifone for infringement of two U.S. patents. The patents-in-suit generally disclose software for controlling a payment terminal. Payment terminals are small, specialized computers and include a processor, peripheral units like a card reader, a display, a printer, or a communications interface, and a software operating system to control the hardware components. The district court construed "virtual machine" as a "computer programmed to emulate a hypothetical computer for applications relating to transport of data".

The Federal Circuit held that the district court's construction improperly conflated the claimed virtual machine with applications written to run on the virtual machine. The claimed virtual machine is operating system or hardware dependent because it must communicate directly with the underlying operating system or hardware. But the applications written to run on the virtual machine are not correspondingly dependent because the applications are written to communicate with the virtual machine, not the actual underlying operating system or hardware. Thus, the Federal Circuit held that the intrinsic and extrinsic evidence established that at the time the asserted patents were filed, the defining feature of a virtual machine was its ability to run applications that did not depend on any specific underlying operating system or hardware.

Because the district court erred by failing to give "virtual machine" its ordinary and customary meaning, the Federal Circuit reversed the district court's construction of this term. Additionally, because CardSoft waived any argument that Appellants infringed under the correct construction, the Federal Circuit granted judgment of no infringement as a matter of law.

#### **Federal Circuit Affirms Claim Construction**

In *World Class Tech. Corp. v. Ormco Corp.* (Appeal Nos. 2013-1679, 2014-1692), the Federal Circuit affirmed the district court's claim construction.

The district court construed two claim terms-"support surface" and "ledge." In view of the court's constructions, the parties stipulated to a judgment of non-infringement of the Ormco patent.

The Ormco patent describes a bracket for orthodontic braces that avoids or reduces interference with the gums even when being mounted on a molar tooth. Ormco sued World Class for infringement of its patent. World Class moved for declaratory judgment of noninfringement.

The parties disputed the meaning of the term "support surface" in a claim to an orthodontic bracket that slides away from the tooth when open, instead of upward towards the gums. World Class argued that the "support surface" must support the slide as it moves along its path.Ormco argued that such a support would contact the gums, which is "out of keeping with the description of the invention."

The district court construed the term "support surface" to mean "at least partially supports and guides the movable member during movement between the open position and the closed position." The district court adopted a complementary construction of "ledge" as contacting the slide only when the slide is in the closed position.

The Federal Circuit held that the specification makes clear that the district court correctly resolved the uncertainties in the claim language, adopting a construction that aligns with the description of the invention. In view of the district court's claim construction, the Federal Circuit affirmed.

## **Federal Circuit Affirms Judgment Of Noninfringement**

In *Halo Electronics, Inc. v. Pulse Electronics, Inc.* (Appeal No. 2013-1472, 1656), the Federal Circuit held that the sale of a patented component to a foreign buyer and delivered outside the U.S. is not a "sale" or "offer for sale" under U.S. patent law, even if price and contract negotiations, delivery of product samples for pre-approval, customer support and other activities took place in the U.S.

Halo and Pulse compete in the market for surface mount electronic packages. Halo owns three patents directed to surface mount electronic packages containing transformers for mounting on a printed circuit board inside electronic devices such as computers and internet routers. Pulse designs and sells surface mount packages and manufactures those products in Asia. Some of Pulse's products were delivered by Pulse to customers in the U.S., but the majority of them were delivered outside the U.S. Pulse was engaged in various activities in the U.S. - including price negotiations, meetings with customer design engineers, delivery of product samples for pre-approval, attending sales meetings with customers, and post-sale support for its products.

In 2007, Halo sued Pulse for patent infringement. Pulse moved for summary judgment of noninfringement and invalidity. Pulse also counterclaimed that Halo Electronics infringed its patent directed to microelectronic connectors.

The district court granted Pulse's motion for summary judgment of noninfringement and denied JMOL of invalidity.

On appeal, the Federal Circuit held that when substantial activities of a sales transaction, including the final formation of a contract for sale encompassing all essential terms as well as the delivery and performance under that sales contract, occur entirely outside the U.S., pricing and contracting negotiations in the U.S. alone do not constitute or transform those extraterritorial activities into a "sale" within the U.S. for purpose of §271(a). Pricing and contracting negotiations alone are insufficient to constitute a "sale" within the U.S. According to the Federal Circuit, if a sale outside the U.S. is not an infringement of a U.S. patent, an offer to sell, even if made in the U.S., when the sale would occur outside the U.S., similarly would not be an infringement of a U.S. patent.

In this case, the negotiations took place in the U.S., but the sales were realized entirely outside the U.S. Therefore, Pulse did not offer to sell the products at issue within the U.S. and did not infringe the patents. Pulse's activities in the U.S. were therefore insufficient to constitute a "sale" or an "offer to sell" within the U.S. to support direct infringement.

Accordingly, the Federal Circuit affirmed the judgment that Pulse did not directly infringe the Halo patents by selling or offering to sell within the U.S. those accused products that Pulse manufactured, shipped, and delivered outside the U.S.

## Federal Circuit Vacates District Court Decision

In *SSL Services, LLC v. Citrix Systems, Inc.* (Appeal Nos. 2013-1419, 1420), the Federal Circuit vacated a district court's finding of no prevailing party for the purpose of attorneys' fees and costs.

The patents-in-suit generally disclose a virtual private network which is a "*system for securing communications between computers over an open network such as the Internet*". The claimed methods and system consists of an authentication and encryption program that encrypts computer files using a "*session key*" before transmitting data over the Internet. Once the other client computer has received the encrypted files, it can decrypt those files using the same session key. This approach allows the transfer of encrypted data directly from one client computer to another client computer over the open network.

In 2008, SSL sued Citrix for infringement. At trial, SSL alleged that Citrix's GoTo products willfully infringed claims of two patents-in-suit. The GoTo products allow direct encrypted communication between two computers while bypassing a broker server that cannot access the encrypted data.

The jury found that Citrix's GoTo products infringed one of the patents-in-suit but not the other, and awarded \$5 million in damages. The district court also awarded an additional \$5 million to SSL as enhanced damages for willful infringement but declined to consider SSL the "prevailing party" for the purpose of awarding costs. Both parties appealed.

On appeal, the Federal Circuit found that SSL was the prevailing party because the actual relief on the merits, i.e., the judgment for damages against Citrix, materially altered the relationship between the parties in a way that directly benefited SSL. The Federal Circuit, therefore, vacated the district court's decision to deny SSL "prevailing party" status and remanded the case to the district court to consider the fees to award SSL.

## Federal Circuit Affirms Finding Of Indefiniteness

In *Robert Bosh LLC v. Snap-On Incorporated* (Appeal No. 2014-1040), the Federal Circuit affirmed the district court's judgment that Bosh's patent claims were indefinite because they were means-plus-function elements with no corresponding structure disclosed in the specification.

Bosh sued Snap-On for infringement of its patent covering a diagnostic tester for motor vehicles that determines whether the computerized control unit in a motor needs to be reprogrammed. The external diagnostic tester is described in a sole independent claim called for a "*program recognition*

*device*" in which the version of the program in a programmable control unit in a motor vehicle is queried and recognized "*by means of*" the program recognition device. If the program is recognized and found not to be the latest and most current version, then a "*program loading device*" loads the most current version into the control unit. The specification of the patent did not contain any figures and did not provide a description of the program recognition device or the program loading device.

The district court held that these claim terms were means-plus-function terms and indefinite for failing to disclose corresponding structure. The district court held that these limitations presumptively invoked § 112(f) due to the "by means of" language. Moreover, the claim terms, construed in light of the specification, failed to provide sufficiently definite structure to one of skill in the art.

On appeal, the Federal Circuit upheld the district court decision that the claims were indefinite. The Federal Circuit noted that the district court erred in applying a presumption that "*program recognition device*" was a means-plus-function term. The presumption has been applied "when a claim uses the word 'means' as a noun in the claim", but not for the wording "*by means of*". The claim language overcame a strong presumption against invoking section 112(f), however, because "program recognition device" lacked sufficiently definite structure.

Thus, the Federal Circuit affirmed the finding of indefiniteness.

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