

## *Yahoo!* Infringes Patent for Background Advertising System

On May 15, 2009, Creative Internet Advertising Concepts, Inc. received a unanimous jury verdict against *Yahoo!* Inc. in a patent infringement trial in the Federal District Court for the Eastern District of Texas, Tyler Division.

Creative Internet Advertising Concepts, Inc., a subsidiary of Acacia Research, Corp., a large patent holding company, asserted U.S. Patent No. 6,205,432 (the “432 patent”) against *Yahoo!* on the grounds that *Yahoo!*’s Messenger program, including “IMVironments” was infringing.

The jury decided that *Yahoo!* infringed the patent both literally and under the Doctrine of Equivalents, and further that such infringement was willful. Although a defense expert witness testified that the total amount of damages to compensate for infringement should be approximately, \$300,000,

the jury returned an award of over \$6.5 million, or roughly a 20% royalty.

According to *Yahoo!*’s web site, an IMVironment (IMV) in its Messenger software is a “themed environment that you can choose to show in the conversation area of your [Instant Messaging] IM window while instant messaging a contact. The contact sees the same IMV and has the option of turning it off or selecting a different IMV to share with you. Each time you instant message this contact, the same IMV displays in your IM window until you change it or turn it off.” *Yahoo!* allegedly inserted advertisements into the background of e-mails and web pages.

The ‘432 patent, which was filed in November, 1998, and issued in March, 2001, is directed to an advertisement system and method for “inserting into an end user communication message a background reference to an advertisement.” The advertisement is often a graphical file that is stored at the message server. The message server maintains records on each end user recipient, to allow for “selective enablement of background reference insertion and overwriting based upon end user preferences” (see Abstract).

Acacia had previously named America Online as a defendant in the suit. America Online has since settled.

*Yahoo!* was reportedly weighing its options, including whether to appeal the Decision.

by Joel J. Felber, Senior Associate

### In This Issue

<i>Yahoo!</i> Infringes Patent for Background Advertising System	1
Federal Circuit Decision Sharply Limits Scope of Product-By-Process Claims	2
District Courts Reach Opposite Conclusions Applying False Marking Statute	3
OSTROLENK FABER Proud to Bring Back Historic Name, Debuts New Logo	4

## Federal Circuit Decision Sharply Limits Scope of Product-By-Process Claims

In an unusual move, the Court of Appeals for the Federal Circuit ("CAFC") acted *sua sponte*, (on its own accord) *en banc* to address the construction of a *product-by-process* claim, without taking additional briefing and holding no additional oral argument. In *Abbott Laboratories v. Sandoz, Inc.* (Fed. Cir., May 18, 2009), the court construed a *product-by-process* claim including a crystalline form of cefdinir "obtainable by" specified process steps. Cefdinir is a cephalosporin class antibiotic marketed by Abbot under the name Omnicef. It is effective and commonly prescribed to treat bacterial infection of the ear, nose and throat.

Relying on Supreme Court precedent, the CAFC decided that a claim to, in this case, a chemical composition that is "obtainable by" a particular series of steps in process is limited to the composition that is actually obtained by carrying out those steps. The Court held that the same product (*e.g.*, chemical composition) created by a different process, even though the product is identical, would not infringe the claim.

The procedural and doctrinal peculiarities of the case are brought forth in a stinging dissent authored by Circuit Judge Pauline Newman, and joined by Circuit Judges Mayer and Lourie. Judge Lourie also authored his own dissent.

In her dissent, Judge Newman pointed out that the the Court departed from the Federal Rules of Appellate Procedure and its own operating procedures by giving no notice of the *en banc* consideration of the matter. It received no additional briefing from the parties, nor any from *amici* that might advise the Court of the effects such

a ruling could have on the enforcement of similarly drafted patent claims currently in force.

On the merits of the *en banc* holding, Judge Newman described the long history of product-by-process claiming. The practice is rooted in what had been called the "rule of necessity", *i.e.*, that in certain circumstances, no more can be known about a product except the process by which it was made. In those cases, the policy encouraging early

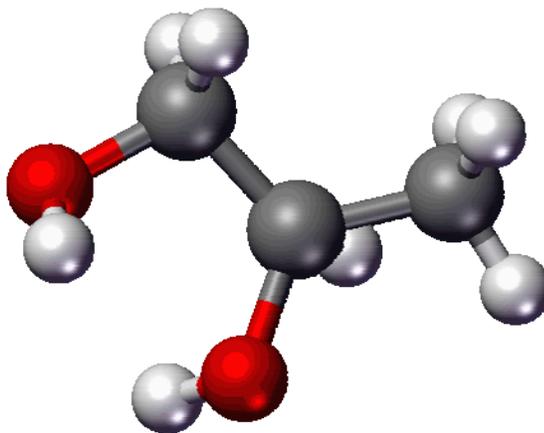
disclosure by patent filing should permit the inventor to claim their invention by reference to the process of its making. "Indeed, it is a tenet of the scientific method that explanation and theory tend to follow, not precede, the observation of a development in the science." (Dissent at 12)

The dissent takes issue with the majority's

characterization of the precedents upon which they relied, and detailed extensive contrary decisions of the Federal Circuit and its predecessor, the CCPA, holding that product-by-process claims extend to no more than the product, including that a known product cannot be 're-patented' in terms of a product-by-process claim including a new method of its making.

Judge Lourie wrote separately to note that his dissent from the *en banc* holding would also have considered the particular language by which the process steps were invoked. For example, he considered the present case of a compound "obtainable by", distinguished from a compound "obtained by" or "when made by" certain steps.

by Joel J. Felber & David J. Torrente



Public Domain; <http://en.wikipedia.org/wiki/File:PropyleneGlycol-stickAndBall.png>

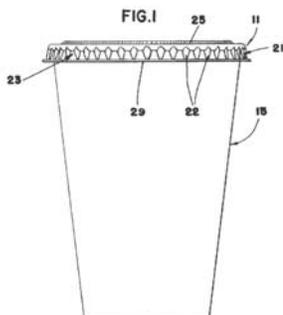
## District Courts Reach Opposite Conclusions Applying False Marking Statute

The Federal Circuit may soon be called to resolve two opposing rulings on whether a member of the public has Article III standing to bring a *qui tam* action for false marking under 35 U.S.C. §292.

Section 292 prohibits marking “an unpatented article” with “the word ‘patent’, or any word or number importing that the same is patented, for the purpose of deceiving the public”, and prescribed a fine of “not more than \$500 for every such offense.” Moreover, and at issue in the present decisions, “Any person may sue for the penalty, in which event one-half shall go to the person suing and the other to use of the United States.”

District Judge Leonie M. Brinkema addressed the issue in *Pequingnot v. Solo Cup Co.*, 2009 U.S. Dist.LEXIS 26020 (E.D.Va, Mar 27, 2009). Plaintiff Matthew A. Penquignot, a licensed patent attorney, brought suit under §292 against Solo, alleging that the company marked several of its products with two expired patents, No. RE 28,797 (“Lid”), and No. 4,589,569 (“Lid for Drinking Cup”). In a second motion to dismiss, Solo alleged Pequingnot lacked standing, and if not, then §292 was unconstitutional for violating the separation of powers doctrine, and specifically the “Take Care” clause of U.S. Const., Art. II, § 3. Judge Brinkema denied the motion.

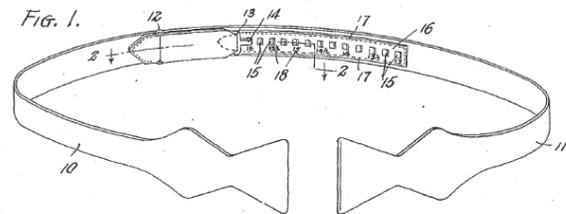
The court rejected Solo’s contention that “any person” should be construed narrowly to mean a competitor. It contrasted the language of §292 with, for example, the Lanham Act, giving standing to any person “damaged by such act.”



Although admittedly lacking traditional standing, plaintiff, and the U.S. as intervenor, argued that §292 imparts standing as a *qui tam* relator. The court then examined a history

of *qui tam* actions, and found both that §292 was properly considered a *qui tam* statute, and further that as applied in this case, the statute did not undermine separation of powers. The Court noted that in this case, the *qui tam* action was for civil damages, not criminal enforcement — generally considered the province of the executive. Moreover, the executive branch, acting as intervenors, defended plaintiff’s standing and the constitutionality of §292.

A similar issue came before District Judge Sidney H. Stein in *Stauffer v. Brooks Brothers, Inc.*,



2009 U.S. Dist.LEXIS 40785 (S.D.N.Y., May 14, 2009). In that case, plaintiff Raymond Stauffer also alleged §292 violations, in this case against Brooks Brothers and its parent Retail Brand Alliance, Inc. At issue here were bow ties marked “The Original Adjustolox Tie Reg’d & Pat’d U.S. Pat. Off. 279346 - 2083106 - 2123620”. Each patent was expired for more than 50 years.

In *Stauffer*, Judge Stein dismissed the complaint for lack of standing. He cited, but differed with, the result in *Pequingnot*, holding that Stauffer had only conjectural or hypothetical injury.

Resolution of regional differences, instilling national uniformity, was the primary animating purpose for the creation of the Court of Appeals for the Federal Circuit in 1982, and for vesting the new court with exclusive jurisdiction over all appeals in cases arising under the U.S. patent laws.

by David J. Torrente, Associate



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OSTROLENK FABER LLP

## OSTROLENK FABER Proud to Bring Back Historic Name, Debuts New Logo

Samuel Ostrolenk left his position as a Patent Examiner with the United States Patent Office in 1928 to begin his private practice in Washington, D.C, later moving his practice to New York. Some 10 years later, while working on a complex litigation case, Mr. Ostrolenk met New York trial lawyer Sidney Faber. Mr. Faber's substantial litigation experience and his aptitude for understanding new technologies and complicated inventions founded the basis for their working relationship.

On January 1, 1948, Ostrolenk and Faber formally signed papers to change the firm name to Ostrolenk & Faber.



Today, we are proud to announce that we have changed the firm name to OSTROLENK FABER LLP. Our new firm name, reminiscent of our beginnings, is mindful of over 80 years proud history serving clients in intellectual property matters, making OSTROLENK FABER one of the country's oldest and most distinguished IP boutiques.

At the same time, we are by no means lingering in our past. Therefore, we are also proud to debut a new logo (*left*). This simple, modern and effective symbol communicates who we are, both now and then. With the new "OF" logo, our version of "Something old, something new" even includes something blue. Look for our new name and logo in all future firm communications.