



INTELLECTUAL
PROPERTY &
TECHNOLOGY
PRACTICE
GROUP

Christopher E. Blank, *Chair*

John D. Cook

Mark K. Cramer

Richard J. Day

Thomas R. Fitzgerald

Frank V. Gallucci

Catherine M. Hedgeman

Ronald S. Kareken

John Kelepurovski, Jr.

John P. Lowe, R.

Douglas J. Nash

Michael A. Oropallo

Richard J. Paul

Laurence S. Roach

Thomas S. Squire

Philip P. Whaling

Microsoft Wins \$520 million Patent Infringement Appeal

On Wednesday, March 2, 2005, Microsoft Corporation scored a \$520 million victory in the closely watched Internet Explorer patent litigation commenced by Eolas Technologies. Although the United States Court of Appeals for the Federal Circuit upheld the district court's claim construction, it was determined that the district court erred when it excluded from consideration certain prior art that should have been considered when determining invalidity. This failure to consider all relevant prior art led to the district court making several key rulings in Eolas' favor, which now must be reconsidered by the district court.

The story of this litigation begins on February 2, 1999, when Eolas Technologies brought an infringement action against Microsoft in the United States District Court for the Northern District of Illinois. In that filing Eolas alleged infringement of U.S. Patent No. 5,838,906. In a nutshell, Eolas' patent infringement claims charged that certain aspects of Microsoft's wildly popular Internet Explorer incorporate its invention, thereby making Microsoft liable for patent infringement. Ultimately, in January of 2004, the district court entered judgment against Microsoft in the amount of \$520,562,280.00.

The primary issues on appeal to the Federal Circuit surrounded the Viola Web browser invented by Pei-Yuan Wei, was in public use more than one year before Eolas' invention. Microsoft asserted that Viola was prior art that invalidated the claims of the '906 patent.

At trial Wei testified that he had written code for Viola in May 1993. Wei also testified that he contemporaneously demonstrated this very capability to Sun Microsystems engineers on May 7, 1993. Wei also demonstrated a second version of Viola to the district court during the trial. This alternative version represented Wei's attempt on May 27, 1993, to improve the earlier version of Viola. Apparently due to a bug in the program, Wei could not make this version function in the courtroom. Nevertheless, testimony at the trial established that both versions of the Viola code taught all of the limitations of the claims at issue in Eolas' '906 patent.

Notwithstanding the evidence submitted by Microsoft regarding Viola, the district court found as a matter of law that Wei abandoned, suppressed or concealed Viola within the meaning of section 102(g), thereby rendering Viola incapable of being prior art. The district court reached this conclusion

(continued on back)

This client alert is not intended to render legal services; the publisher assumes no liability for the reader's use of the information herein. © 2005 Hiscock & Barclay, LLP

Albany Office
50 Beaver Street
Albany, New York
12207-2830
518.434.2163

Buffalo Office
1100 M&T Center
3 Fountain Plaza
Buffalo, New York
14203-1414
716.856.5400

New York City Office
The Standard Oil Building
26 Broadway, 24th Floor
New York, New York
10004-1840
212.509.5212

Rochester Office
2000 HSBC Plaza
Rochester, New York
14604-2404
585.325.7570

Syracuse Office
Financial Plaza
Post Office Box 4878
221 South Warren Street
Syracuse, New York
13221-4878
315.422.2131

Hiscock & Barclay is a full service, 160-attorney law firm, with offices in Buffalo, Rochester, Syracuse, Albany and New York, providing comprehensive legal and business counsel to clients across New York State. We serve a diverse client base in 25 specialized practice areas with statewide and regional expertise as well as with national and international capabilities.

-
-
- Commercial Litigation
- Construction Law
- Creditors' Rights
- E-Business & Technology
- Energy & Utilities
- Environmental
- Financial Institutions
- General Business & Corporate
- Health Care & Human Services
- Immigration
- Indian Law
- Intellectual Property & Technology
- International Business
- Labor & Employment
- Lobbying Compliance, Election Law & Governmental Strategies
- Municipal & Government
- Professional Malpractice
- Public Finance
- Real Estate
- Real Property Tax, Condemnation & Valuation Litigation
- Regulatory
- Tax
- Telecommunications
- Torts, Insurance & Products Liability
- Trusts & Estates

because Wei disclosed the first version of Viola only to the Sun engineers and then shortly thereafter modified it to become a second generation program. The district court extended this finding to section 102(b) and found as a matter of law that since the first version was abandoned, showing it to the Sun engineers could not constitute a public use.

With respect to these prior art rulings issued by the district court, the Federal Circuit, ruled that the district court erred in finding that DX34 was abandoned, suppressed or concealed within the meaning of section 102(g). The Federal Circuit explained that the evidence clearly demonstrated that Wei showed two Sun employees Viola, and that this showing was done without a confidentiality agreement in place. Under well established patent law rules, demonstration of an invention without a confidentiality agreement in place means that there has indeed been a public use under 102(b). Furthermore, because there was a public use without a confidentiality agreement the district court was equally erroneous in concluding that Wei had abandoned, suppressed or concealed the invention. As a result, the Federal Circuit had little trouble overturning these prior art rulings, and also determining that the district court erred in ruling that Viola did not as a matter of law anticipate or render the '906 patent obvious. As a result of these reversals, the Federal Circuit remanded for additional proceedings on these issues.

In addition to reversing the prior art rulings, the Federal Circuit also took issue with the district court's determination regarding inequitable conduct. As a result of believing that the Viola web browser did not constitute prior art the district court also ruled, with little factual analysis, that Eolas was under no obligation to disclose the existence of Viola to the patent examiner, despite the fact that some evidence established that one of the inventors of the '906 patent knew of the existence of Viola but did not disclose any information regarding the software to the patent examiner. The ruling of the district court with respect to possible inequitable conduct would have been the appropriate ruling regarding the propriety of disclosing the existence of the Viola software had the prior art rulings been appropriate. Because the prior art rulings of the district court were erroneous, the inequitable conduct ruling that dovetailed from those prior art rulings was defective in that not all relevant factual information was considered prior to reaching the determination as to whether the duty of candor owed to the Patent Office had been violated by the inventor. Therefore, the Federal Circuit directed the district court to further consider the issue of inequitable conduct on remand, particularly whether there was any intent to deceive the patent examiner.

For more information on the content of this Alert, please contact a member of the Intellectual Property & Technology Practice Group with whom you regularly work.