

**Keywords:** Anticipation, Inequitable Conduct

**General:** The Federal Circuit permits testimony regarding capabilities and use of a prior art system in its determination of whether a publication about the system qualifies as prior art.

*Orion IP, LLC, v. Hyundai Motor America*  
No. 2009-1130 (Fed. Cir. May 17, 2010)

**I. Facts**

Inventor Jerome Johnson worked at a farm equipment dealership and developed a way to compile parts information into sales proposals using a computer. The software became known as CASS Parts (short for “Computer-Assisted Sales System”). This software was an embodiment of the general four-step method that would be claimed in the ‘627 patent. In 2004 Orion acquired the rights to the ‘627 patent. Soon after acquiring the rights to the ‘627 patent Orion sued Hyundai and twenty other automakers, alleging that their online sales systems infringed the ‘627 patent. Orion won a considerable judgment in a jury trial, receiving \$34 million in damages, interest on the damages, and an ongoing two-percent royalty on post verdict parts sales. The district court entered the judgment, denied Hyundai’s JMOL, and ruled against Hyundai’s claim that the ‘627 patent was unenforceable because of inequitable conduct.

Hyundai argued during trial that the ‘627 patent was anticipated by a prior art electronic parts catalog, specifically, the Bell & Howell IDB2000 system. Orion challenged Hyundai’s anticipation evidence on the basis that the IDB2000 system did not generate a customer “proposal” as required by the claims of the ‘627 patent. The district court construed the term “proposal” to mean information intended for conveyance to a potential customer. Orion argued that because the IDB2000 system generated information related to the dealer’s “markup” it was not a “proposal,” because disclosing “markup” information to a customer would be adverse to a dealership’s interest. The district court concluded that because the jury had weighed the evidence and found that the IDB2000 system did not anticipate the ‘627 patent, it would not reweigh the evidence.

Hyundai also argued that the district court abused its discretion by not finding the ‘627 patent unenforceable because of inequitable conduct in the procurement of the patent. Specifically, Hyundai argued that CASS Parts was in public use at a parts fair, and that the invention was sold by a licensing agreement with CASE-1H, before the critical date outlined in 35 U.S.C. § 102(b). Hyundai claimed that these activities conflicted with Mr. Johnson’s sworn affidavit to the PTO that the invention had not been in public use or on sale before the critical date, resulting in inequitable conduct in the procurement of the ‘627 patent.

**II. Issues**

- A. Did the district court err in denying Hyundai’s motion for post-verdict JMOL on anticipation in light of the prior art IDB2000 system and the Electronic Parts Catalog promotional publication?
- B. Did the district court err in ruling against Hyundai’s claim that the ‘627 patent was unenforceable because of alleged inequitable conduct during its procurement?

**III. Discussion**

- A. Yes. The Federal Circuit found that the district court erred in denying Hyundai’s JMOL. In the Federal Circuit’s review of the case they recognized that anticipation is a question of fact to be reviewed for substantial evidence when decided by a jury, but that whether a document constitutes a printed publication under 35 U.S.C. § 102 is a question of law

based on the underlying facts of each particular case. The Federal Circuit found that the Electronic Parts Catalog reference qualified as prior art. The Federal Circuit did not dispute the district court's finding that the '627 patent has a critical date of November 10, 1988, and that the Electronic Parts Catalog reference has a copyright date of 1987 with a revision date of January 1991. The Federal Circuit defined the critical date as the date one year prior to the filing date of the patent application. On appeal Orion argued that because the Electronic Parts Catalog reference was revised on January 1991, which was after the critical date, it could not qualify as prior art. The Federal Circuit disagreed with Orion's argument and held that the Electronic Parts Catalog qualified as prior art despite the revision because of evidence that the method embodied in the reference was produced and used before the critical date of November 10, 1988.

The Federal Circuit then found that the Electronic Parts Catalog reference anticipated the "proposal" element of claim 1 in the '627 patent. As mentioned above, the district court construed "proposal" to mean information intended for conveyance to a potential customer. Orion argued that the IDB2000 system showed both wholesale and retail prices and that because it displayed the markup price it could not have been intended to be conveyed to a potential customer. The Federal Circuit found these arguments insufficient. In rebuttal, the Federal Circuit pointed out that the term "proposal" did not limit the information conveyed to the customer. In addition, the Federal Circuit found that the overwhelming documentary and testimonial evidence demonstrated that the IDB2000 system conveyed parts related information to the customer. Specific evidence included monitors that could be swiveled to show information to the customer, that information could be printed out and given to the customer, a picture on the Electronic Parts Catalog reference showing direct customer interaction, and testimony that this kind of interaction was actually observed at a dealership.

The Federal Circuit then reviewed Hyundai's JMOL with respect to dependent claims 7 and 8. The Federal Circuit concluded that the additional element of "price information" in claim 7 did not limit what specific price information would be shared with customers, and that wholesale customers would probably be interested in the wholesale price. With respect to claim 8, the Federal Circuit found that the additional element of "graphical information" was anticipated by the large screen shots of part diagrams found in the Electronic Parts Catalog reference, and that the IDB2000 system allowed both the customer and the salesperson to see graphical information.

In conclusion, the Federal Circuit found that Hyundai showed by clear and convincing evidence that as of November 1988, the IDB2000 system, as taught by the Electronic Parts Catalog reference, generated proposals for customers including price and graphical information and as a consequence no reasonable jury would have had a legally sufficient evidentiary basis to find that the claims at issue were not anticipated.

- B. No. The district court did not err in ruling against Hyundai's claim that the '627 patent was unenforceable because of alleged inequitable conduct during its procurement. The federal court reiterated that Hyundai needed to provide clear and convincing evidence of materiality or an intent to deceive. Regarding materiality, the Federal Circuit agreed with the district court that the evidence did not support the finding of inequitable conduct. Specifically, materiality did not exist when CASS Parts was promoted at the parts fair, because the invention was not reduced to practice, nor were there sufficient materials to enable one of ordinary skill in the art to produce or perform the invention. Likewise, no materiality was found when Mr. Johnson licensed CASS Parts to CASE-1H, because the invention did not yet exist. In regards to the intent of Mr. Johnson, the district court found no evidence that Mr. Johnson considered the pre-critical date activities material but chose not to disclose them anyway. In fact, the Federal Circuit deferred to the district

court's impression that Mr. Johnson was very believable, candid, straightforward, and a very credible witness. As a result, the Federal Circuit affirmed the district court's ruling that the '627 patent is not unenforceable due to inequitable conduct.

### Claims 1, 7, and 8 for the '627 Patent

1. A computerized method of selling parts for particular equipment specified by a customer, comprising the steps of:

- a) receiving information identifying a customer's parts requirements for the equipment, comprising the step of receiving equipment application information, comprising an identification of the equipment with which one or more parts are to be used;
- b) electronically specifying information identifying a plurality of parts and specifications for the parts;
- c) gathering parts-related information for one or more parts within the plurality of parts which meets the customer's requirements, comprising the step of electronically associating at least one of the parts within the plurality of parts with the received equipment application information; and
- d) receiving the gathered parts-related information and compiling the parts-related information into a proposal meeting the customer's requirements.

7. The method of claim 1 wherein the step (d) further comprises the step of including within the proposal price information corresponding to the one or more parts which meets the customer's requirements.

8. The method of claim 1 wherein the step (d) comprises the step of including within the proposal graphical information corresponding to the one or more parts which meets the customer's requirements.

(Emphasis added.)

### Nine Steps in The Electronic Parts Catalog promotion publication for the IDB2000 System

Step 1: selects the desired make—Pontiac

Step 2: selects the desired year—1986

Step 3: selects the desired model—Grand AM

Step 4: selects the desired parts group—Group 4-transmission and brake

Step 5: selects the appropriate illustration—Illustration # 17-1985-86 "N" brake pedal and master cylinder mounting

Step 6: selects the part call-out number—#16 cylinder, brake motor

Step 7: At this point the PartsVision system has "found the correct part and has listed it on a shopping list. Now the counterperson can find more parts or check inventory, price the part and print the invoice . . . all from the same workstation."

Step 8: builds a shopping list, if needed

Step 9: selects the integration function key to "display the normal inventory detail," "prices the part, and allows the counterperson to complete preparation of a wholesale or retail price."