

# Anticipation of a Patent Claim: When A Single Reference Disclosing All Elements is Not Enough

By Jonathan Lovely

*When a single prior art reference* teaches all the elements of a claim, that reference anticipates – and therefore invalidates – the claim, right? Well, in view of a recent decision, the answer is a resounding “it depends.”

In *Net MoneyIN, Inc. v. Verisign, Inc.*, the Court of Appeals for the Federal Circuit held that, in order to anticipate a claim, a single prior art reference “must not only disclose all elements of the claim within the four corners of the document, but must also disclose those elements ‘as arranged in the claim.’”

Net MoneyIN (“NMI”), the owner of United States Patents 5,822,737 (“the ‘737 patent”) and 5,963,917, directed towards credit card processing systems for Internet purchases, sued Verisign for infringement. The trial court in the District of Arizona invalidated several of the claims in both patents and held that one remaining claim (claim 23 of the ‘737 patent) was anticipated by the so-called Internet Keypad Payments Protocol reference, an industry-standards document that predated NMI’s patents (“the iKP reference”).

The iKP reference describes encryption techniques and architectures for handling Internet transactions. The inventor of the NMI patents, Mark Ogram, felt that two iKP protocols commonly used in Internet transactions were deficient and set out (1) to spare customers from having to send confidential information to unknown merchants, and (2) to alleviate onerous financial requirements on the merchants.

To implement his solution, Ogram added an additional entity to the equation. Ogram’s new “payment processing” entity essentially acts as a middle-man between the customer and the merchant. Using Ogram’s system, during a transaction, the customer sends credit card account information to the new entity, and that entity in turn seeks authorization from the credit card company and notifies the customer and the merchant if the transaction is approved.

Unfortunately for NMI, the Federal Circuit agreed with the district court on the invalidity issues, leaving only claim 23 of the ‘737 patent up for discussion. With the district court finding that the iKP reference disclosed each of the five links claimed in claim 23, and the old adage looming that, in order to anticipate, the four corners of a single prior-art document must describe every element of the claimed invention, it did not look good for NMI. See *Xerox Corp. v. 3Com Corp.*

However, the appellate court disagreed with the trial court and held that the iKP reference did not anticipate the remaining claim. Citing a variety of precedents, the Federal Circuit held that, in order to anticipate, a prior art reference must do more than just contain all elements within its four corners; the reference must also disclose the elements “arranged as in the claim.”

The court explained that this requires “an anticipatory reference to show all of the limitations of the claims arranged or combined in the same way as recited in the claims....” In other words, “arranged as in the claim” means “arranged or combined in the same way as the claim.”

Although the iKP reference disclosed all of the links within the claim, it disclosed them across two distinct protocols. Neither one of the protocols disclosed all of the links required by NMI’s claim. Therefore, the court held that the iKP reference could not anticipate NMI’s claim.

Although NMI won this battle, they still are a long way from winning the war. In reversing the district court, the Federal Circuit stated that, even though there are similarities between the iKP reference and NMI’s invention, the differences that exist between the two invoke obviousness, not anticipation. In the post-KSR world that patent litigants live in, NMI surely has a steep hill to climb in overcoming Verisign’s expected challenge to its patents on the basis of obviousness. See *KSR International Co. v. Teleflex Inc.*

To the seasoned patent attorney, the *NMI* decision may not be earth-shattering. However, it provides additional ammunition for overcoming anticipation rejections. The case also underscores the need for thoughtful claim drafting. As mentioned, NMI originally asserted a number of claims from two separate patents. However, most of NMI's claims were invalidated by the district court, a finding that the Federal Circuit affirmed.

In the claims, Ogram, who also happens to be a patent attorney, employed "means for" language. The patent laws allow an applicant to express elements within a claim in "means for" (or "step for") format without the recital of structure, material, or acts in support of the element. However, the patent office and the courts construe these claims to cover the structures, materials, and acts within the specification of the application. See 35 U.S.C. § 112, paragraph 6.

In drafting the '737 patent, Ogram made several mistakes that were fatal to his "means for" claims. First and foremost, Ogram neglected to provide sufficient structure to support the "means for" claims. NMI contended that the specifications disclosed a "bank computer" to accomplish the recited function. However, this argument fails to reckon with the Federal Circuit's view that the structure within a specification must be "more than simply a general purpose computer or microprocessor." See *AristoCrat Techs. Austl. Pty Ltd. v. Int'l Game Tech.*

NMI also argued that the "means for" language within claim 1 of the '737 patent, which included the limitation "...said first bank computer including means for generating an authorization indicia...", is supported by the bank computer disclosed in the specification. As the appellate court correctly noted, such an interpretation makes the claim "redundant and illogical" because it would essentially require the first bank computer to include a first bank computer.

Careful drafting might have avoided many of NMI's litigation problems. For instance, had Ogram simply left out the "means for" language within claim 1 of the '737 patent, the claim would have read "...said first computer generating an authorization indicia..." This would have sidestepped the "means for" pitfall altogether. Alternatively, Ogram could have made sure to include the appropriate structures within the specification. Although the claim would still have had to overcome the iKP reference, NMI would at least have had more than a single claim in the running.

In view of the *Net MoneyIN* opinion, patent prosecutors and litigators alike must remember that a reference needs to contain more than all of the elements of the claim within the four corners to anticipate the claim. The reference must disclose those elements "arranged as in the claim."

If the cited reference teaches all of the elements of the claim, but the elements are strewn throughout multiple devices, methods, or even, perhaps, embodiments, the reference does not anticipate the claim. The reference may nonetheless provide a good basis for a single-reference obviousness challenge. ✧