

Giles Sutherland Rich Memorial Moot Court Competition
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The United States District Court for the District of Cheatem (a fictitious 51st state off the coast of New York, and within the 2nd Circuit) held that U.S. Patent No. 9,497,593 ("the '593 patent"), assigned to Classic Toys Unlimited ("Classic"), was invalid.

A Notice of Appeal was timely filed by Classic in the United States Court of Appeals for the Federal Circuit. The appeal was docketed as Appeal No. 07-8764. All of the facts recited herein are supported by substantial evidence of record. Any facts not recited are without support in the record.

Jack-O-Bot Co. v. Classic Toys Unlimited,
Case No. 07-8764
Appeal from the District of Cheatem, Howe Division

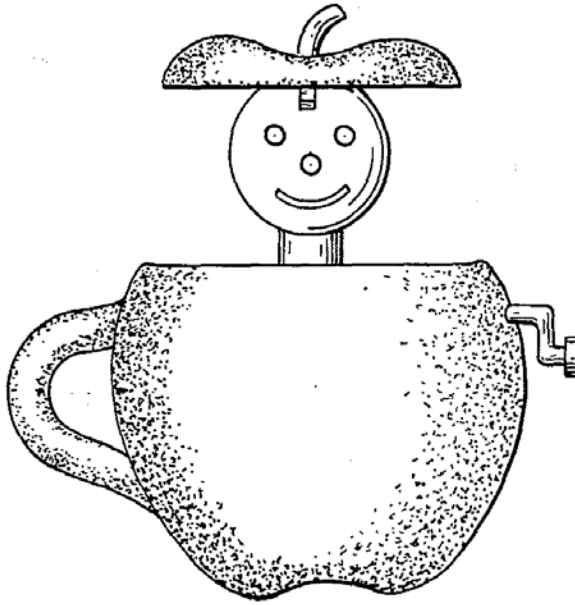
Jack-O-Bot Co. ("JOB"), a licensee of Classic, filed an action under 28 U.S.C. § 2201 for a declaratory judgment that Classic's '593 patent is invalid. During a bench trial before District Court Judge Dewey, Classic argued that the declaratory judgment action should be dismissed based on two theories: (1) the license between Classic and JOB contained a "no-challenge" clause as to the validity of the '593 patent, and (2) there was no threat to JOB of litigation under the '593 patent because JOB had a license. Additionally, Classic asked the Court to increase the royalty of the license between JOB and Classic because of JOB's breach of the no-challenge provision. Judge Dewey rejected Classic's jurisdiction arguments and also held that the increase of the royalty provision was not enforceable. After the end of the bench trial, Judge Dewey found that the patent was invalid. Classic now appeals the district court's declaration of the '593 patent's invalidity and the denial of its arguments regarding lack of declaratory judgment jurisdiction. In the appeal, Classic also seeks enforcement of the additional royalty based on the terms of the license.

Findings of Fact

1. Classic Toys Unlimited ("Classic") is one of the world's leading manufacturers of traditional children's toys. Since 1954, Classic has made toys that are sold worldwide. Recently, Classic has faced stiff competition from manufacturers of modern high tech toys that appeal to today's youth. In response, Classic has tried to modernize some of its traditional toys for today's market.

2. Classic is the owner by assignment of U.S. Patent No. 9,497,593 (the "'593 patent"), entitled "Jack-In-The-Box with Electronic Crank."

3. The '593 patent, also known as the "Rogers Patent," was filed in the name of its inventor, Mister Rogers, on January 1, 1997, and issued on June 12, 1998. The '593 patent is directed to a Jack-In-The-Box that works off an electronic crank. No evidence was presented of Rogers' pre-filing conception or reduction to practice of the Jack-In-The-Box. JOB and Classic stipulated that the priority date of the '593 patent was its filing date. Figure 1 of the '593 patent is shown below:



4. The application that later issued as the '593 patent was originally filed with 6 claims, one of which was independent. Independent claim 1, as filed, recited:

1. An amusement device comprising:
 - a housing having a cavity disposed therein, the cavity having an open end;
 - a figure disposed within said cavity and configured to move in and out of said cavity through said open end;
 - a lid pivotally mounted on said housing proximate said open end of said cavity;
 - an electro-mechanical lock element adapted to lock said lid in a closed position;
 - an electro-mechanical release element mounted on said housing independently of said lock element, said release element configured to bias said lock element;
 - a spring member disposed within said cavity and attached to said figure;

and an electro-mechanical sensor responsive to a predetermined stimulus, wherein the biasing of said lock element releases said lid upon receiving a signal from said electro-mechanical sensor, and wherein said figure is free to move out of the cavity of said housing upon selective actuation of said lock element.

5. In the first Office Action, the Examiner rejected claims 1-6 under 35 U.S.C. § 103 as unpatentable in view of U.S. Patent No. 8,732,111, issued to Lemson et al. ("Lemson"). Lemson discloses a traditional jack-in-the-box amusement device that operates in mechanical fashion, with no electric components. Lemson also discloses and claims a pop-up figure formed with a rubberized flexible sheath. A relevant portion of Lemson's specification states: "The flexible sheath provides a molded three-dimensional figure disposed therein. With reference to Figure 1, below, a pop-up toy 8 is shown. A box 10 or other container is shown with a lid or cover 12 released and a figure 14 emerging from the box 10. Figure 14 may include appendages or other extended features 16, which spring outward from the main torso or main portion 18 of figure 14. Figure 14 includes a flexible sheath 20, which covers a bias member (not shown), such as a spring or other elastic member, to permit figure 14 to pop out from box 10. Figure 14 may include a human or animal likeness. Referring now to figure 2, Lemson also states that the toy includes a release mechanism 120, which may include, for example, a button 122, mounted between the spring press member 116 and the front face 115. Button 122 is biased by a button spring 124. Button 122 is presented through hole 123 in face 115 so that button 122 can be pressed to activate release mechanism 120. Release mechanism 120 includes a hook portion 126, which engages hook 110 when toy 8 is assembled. When button 122 is pressed, hook portion 126 and hook 110 disengage, top cover 102 is released and the biased contents of box body 112 pop out. It is understood that other release mechanisms may be employed as well.

For example, instead of button 122, knobs, sliders, cams or other devices may be employed to disengage hook portion 126 as would be understood by one of ordinary skill in the relevant art."

6. In the first Office Action, the Examiner explained that it would have been obvious for a person having ordinary skill in the applicable art to have placed electronic sensors inside the amusement toy device disclosed in Lemson to make the device easier to construct. The Applicant for the '593 patent responded and argued that it would not have been obvious to add electronic sensor mechanisms to the device because the addition of these sensors actually complicated the inner workings of the device considerably, thereby increasing manufacturing time and expense. The Examiner was persuaded and issued a notice of allowance for all 6 claims. The '593 patent issued thereafter.

7. Jack-O-Bot Co. ("JOB") is a new start-up toy company founded by four college roommates from The Laguna Beach Institute of Technology ("LBIT"):
Napoleon Dynamo, Alberto Ensteen, Ellie Woods, and Homer Sampson. After returning home from a wild LBIT party filled with games of Twister and Atari, Napoleon, Alberto, Ellie, and Homer decided that they wanted to start a company that would introduce the classic games of their youth with an updated twist. After much debate, they decided that the signature toy in their new company would be an updated version of their favorite childhood toy, the Jack-In-The-Box. Their new version, called a "Jack-O-Bot," is their company's namesake. The Jack-O-Bot has many different methods of operation. A first method involves the operation of a hand-crank for a predetermined number of rotations. A sensor is disposed inside the device to count the number of rotations, and as soon as a predefined number of rotations has been made, the sensor sends a signal to the central processor to release the Jack from inside the device. A second method of

operation involves the reception of a signal using an infrared receptor placed on the outside of the device. When this infrared sensor senses a control signal emanating from the companion remote control, the sensor sends a signal to the central processor of the device to release the Jack from inside the device. When the device is turned on, it has the added feature of being able to play songs that have been downloaded to it from popular online music software websites. When the device is signaled to release, it always plays the same sound effect that is stored in the central processor.

8. Soon after the issuance of the '593 patent in 1999, JOB's CEO Napoleon Dynamo approached the CEO of Classic, Mr. Wiggles, for a license to the '593 patent. Mr. Wiggles agreed to license the '593 patent to JOB because market studies had indicated little interest in Jack-In-The-Box toys. Napoleon wanted a license for the duration of the patent's term. Mr. Wiggles, however, held out hope that, with time, parents would realize that their children should not be playing video games for six hours a day and would return to the classic toys of their youth. Mr. Wiggles would agree to grant JOB a license for only 10 years.

9. During negotiations for the license, Mr. Wiggles stated that "if parents come around and realize that my idea is a winner, I might have to raise the royalty rate in year 11."

10. For the first six years of the license, JOB paid Classic a royalty rate of \$2 dollars per Jack-In-The-Box sold. As Classic's market studies had predicted, there was little interest in Jack-In-The-Box toys and JOB had difficulty staying afloat. The four founders were

forced to return to their college lifestyle of ramen noodles and peanut butter and jelly sandwiches, all to invest in marketing and promotion of the Jack-O-Bot.

11. In 2005, the New England Journal of Medicine published the results of a 15-year study showing that today's youth are ten times more likely to be obese than their parents' generation. The study showed that, with the increase in weight gain, children were experiencing increased health problems. The study received coverage on all the major news programs, and Congress even decided to hold hearings on how video games were corrupting today's youth.

12. Congressman Woods, Ellie Woods' father, needed to improve his image on family values after his much publicized divorce from his fifth wife. He decided to introduce a bill, H.R. 1981, entitled "The Classic Toys for America's Youth Act," that provided tax cuts for companies, such as JOB, that produce traditional toys for today's market. With the promise of tax cuts and the new interest in traditional toys, JOB's profit margin and sales of the Jack-O-Bot rapidly improved. Within a matter of months, JOB's sales increased from 200 Jack-O-Bots a month in small specialty stores to over 100,000 at all the major retailers. JOB could barely keep up with demand. Parents lined up overnight to have the chance to buy a Jack-O-Bot for their children, hoping to draw their children away from the obesity-causing video games. With JOB's skyrocketing success, the original founders began to discuss the idea of going public. They were informed by their advisors that their best chance of having a strong IPO would be to lock in their license with Classic for the remainder of the patent's term.

13. Napoleon Dynamo invited Mr. Wiggles for a weekend of relaxation at JOB's newly purchased corporate retreat on the bluffs overlooking the Pacific Ocean in Malibu.

He planned on hosting a wine-filled dinner in honor of his guest and then hoped that he could broach the topic of an extended license with Mr. Wiggles. Mr. Wiggles was frugal and against corporate retreats (which he viewed as a sign of executive excess), but he had not had a vacation in a long time and his wife had always wanted to go to Malibu. The weekend started off well with Mr. Wiggles and his wife joining Napoleon and the other founding members of JOB for a day at the beach and a sunset cruise on JOB's 75-foot yacht "The Jack-O-Bot." Napoleon and the other executives were excited that everything was going as planned and were betting that, after a couple of rounds of wine from JOB's wine cellar, Mr. Wiggles would give them their extended license agreement.

14. Before Napoleon could even broach the question of an extended license, Mr. Wiggles asked Napoleon what JOB was going to do when their license with Classic expired. Napoleon responded:

Funny you should mention that. I was hoping that we could discuss the possibility of extending the license through the expiration of the patent.

15. Mr. Wiggles then stated:

I had been thinking of doing that, but now with the skyrocketing success of your product, Classic wants a piece of the pie. We think now is the perfect time for Classic to begin producing the Jack-O-Bot. I'll have to talk to some of my executives, but at the very least

we will want a much higher royalty payment to account for your success. I don't want to talk about this now though. We will wait until the license is over to see where we are and what business direction we want to take.

16. Napoleon felt defeated. JOB could not wait until the expiration of the license to renegotiate a deal -- that was almost two years away and the uncertainty would doom any hope of a lucrative IPO. He was also very concerned that Mr. Wiggles would decide not to renew, even at a higher royalty, and would force JOB out of business.

17. Following Napoleon's weekend retreat with Mr. Wiggles, he reported back to his JOB co-founders. When he finished talking, a collective gasp went up among the group. "I banked on a successful IPO when I bought an island in the Bahamas," wheezed Ellie Woods. "Yeah, I promised my wife that I would buy her a new Gulfstream," complained Homer Sampson. Fearing that their opulent lifestyles would soon come to an end, JOB decided to consult with the corporate attorney, who suggested that the company contact a patent attorney. When JOB obtained a license to the '593 patent, none of the founders had ever felt the need to contact a patent attorney because they thought that attorneys just muddy the waters and raise the price -- they had wanted to work out a deal with Mr. Wiggles CEO to CEO. In failing to contact an attorney, JOB had never sought an opinion on the validity of the '593 patent. JOB's new patent attorney, Mr. Fedcir, immediately suggested that the first step in analyzing JOB's options would be to have him perform an analysis of the patent.

18. Mr. Fedcir had one of his junior associates draft a validity opinion.

Mr. Fedcir and his associate concluded that the '593 patent was likely invalid under 35 U.S.C. § 103 because it was obvious in light of the prior art. In his opinion for JOB, Mr. Fedcir stated, "the '593 patent appears to merely update the traditional Jack-In-The-Box with modern electronics." Mr. Fedcir's opinion did not provide an element-by-element comparison of the '593 patent with the prior art, but did conclude that the '593 patent would have been obvious to someone of ordinary skill in the art. After reviewing Mr. Fedcir's invalidity opinion, Napoleon and his other co-founders met with Mr. Fedcir to discuss the most appropriate course of action.

19. Mr. Fedcir suggested that JOB file a declaratory judgment action against Classic for invalidity of the '593 patent. Mr. Fedcir counseled that this approach would enable them to obtain a quick resolution of the patent's validity, so that JOB would not have to worry about a future license agreement and could even stop paying royalties under the present license agreement. This would give JOB an even greater profit than it was already making. On June 29, 2006, without otherwise breaching the license agreement, JOB sued Classic for a declaratory judgment of invalidity of the '593 patent.

20. Mr. Wiggles was shocked when JOB sued Classic for declaratory judgment of invalidity of the '593 patent because the license specifically contained the following "No-Challenge" provision at Section 5:

Section 5. Licensee shall not, directly or indirectly, challenge, or aid any third party in challenging, the validity, scope, enforceability or ownership of the '593 patent (in whole or in part)

or participate in, or support in any way, any reissue, reexamination or reconsideration thereof or any opposition, interference or similar proceeding with respect thereto.

21. As a further disincentive to challenging the validity of the licensed patent, the license contained a "higher royalty rate if patent upheld" provision which stated:

Section 6. If Licensee, directly or indirectly, challenges, or aids in challenging, the validity, scope, enforceability or ownership of the '593 patent (in whole or in part) or participates in, or supports in any way, any reissue, reexamination or reconsideration thereof or any opposition, interference or similar proceeding with respect thereto (each of the foregoing a "Challenge"), any Licensed Products that are Covered by one or more Valid Claim(s) of the '593 patent after the resolution of such Challenge shall be subject to an additional royalty of 30% of Net Sales effective upon such resolution, reflecting the additional value of a patent that has successfully withstood such a challenge.

22. In various trial motions, Classic requested dismissal of the declaratory judgment suit based, in part, on Section 5, and asked the Court for damages equal to the legal fees required to defend the declaratory judgment action. Classic additionally argued that the Court lacked subject matter jurisdiction based on JOB's status as a non-repudiating licensee of Classic.

Validity Trial

23. Following the various arguments on jurisdiction, the parties proceeded to the validity issues at the bench trial.

24. As to invalidity, JOB contended that the claims of the '593 patent would have been obvious to a person of ordinary skill in the art in light of the combination of the Lemson patent and U.S. Patent No. 8,675,309 to C.A. Ching ("Ching"). JOB and Classic stipulated that both the Lemson and Ching patents were prior art to the '593 patent.

25. The Ching patent was titled "Slot Machine with Electronic Crank," and disclosed a slot machine having numbered buttons and a crank attached on one side. To operate the slot machine, the user first provided an amount of money to the slot machine, either through an electronic bill reader or an electronic credit card reader built into the machine. The amount of money appeared on a light-emitting diode ("LED") panel above the numbered buttons. The user then pressed the numbered buttons in sequence to enter a "bet" into the slot machine, and then pulled the crank. An electronic sensor sensed when the user had pulled the crank through a forty-five degree angle and, in response, sent an electronic signal to a computer chip inside the cash register. The computer chip randomly selected three images to display on a LCD screen above the LED panel. If the three images matched, then the user won the round and the amount of the bet (multiplied by a predetermined "win factor") was added by the computer chip to the sum displayed on the LED panel. If the three images did not match, then the user lost the round and the amount of the bet was subtracted by the computer chip from the sum displayed on the LED panel. When the user was done playing, the user pressed an "end" button. In response, the

computer chip signaled the slot machine to dispense coins equivalent to the amount of money displayed on the LED panel into a bucket.

26. The specification of the Ching patent stated that the disclosed electronic crank was a marked improvement over prior mechanical cranks for slot machines, because the electronic crank allowed the slot machine designer to introduce other electronic components into the slot machine, such as the computer chip, LED panel, and LCD screen. The specification also stated that the computer chip, LED panel, and LCD screen greatly simplified the construction of slot machines, because they eliminated the need for a complicated set of gears and mechanical registers to determine whether the user had won or lost, and how much money the user had remaining. The specification also stated that eliminating those parts allowed the slot machine designer to build a slot machine that was easier and cheaper to manufacture. The Ching specification further stated that the electronic crank was not intended to be used in conjunction with a traditional slot machine having other moving parts, such as image reels.

27. At trial, JOB's first trial witness on invalidity was Pinocchio Geppetto, a toymaker who made marionettes in the Little Italy district of Manhattan, before outsourcing the manufacturing part of his marionette business to a factory overseas where labor costs were lower. Mr. Geppetto testified that the jack-in-the box claimed in the '593 patent was nothing more than the traditional jack-in-the-box disclosed in the Lemson patent combined with the electronic crank of the Ching patent, and that a person of ordinary skill in the art would have known how to make the Lemson jack-in-the-box with an electronic crank, based upon the teachings of the two patents. Geppetto based this conclusion upon his "knowledge and experience in the toy-making business, combined with the common knowledge among

toymakers that toys incorporating electronic sensors in lieu of mechanical couplings are easier to make and are more durable."

28. Mr. Geppetto also testified that a person of ordinary skill in the art at the time that Mister Rogers filed his patent application would have had a high level of experience—a bachelors degree in mechanical engineering or 3+ years of mechanical engineering-type employment. Such a person would consider all references pertaining to consumer products to be within his field of endeavor.

29. JOB's second trial witness on invalidity was Christopher Robin, a toy industry analyst with the toy marketing firm of Pooh, Tigger & Eeyore LLP. Mr. Robin presented graphs showing that, while sales of computer games and game controllers fell significantly after the passage of The Classic Toys for America's Youth Act, downloads of children's music from the Internet were not affected and continued to increase. Based upon these data and his knowledge and experience as a toy industry analyst, Mr. Robin attributed the success of the Jack-O-Bot to its music download function, which was a feature that no other jack-in-the-box toy had.

30. Citing Leapfrog Enterprises, Inc. v. Fisher-Price, Inc., 485 F.3d 1157 (Fed. Cir. 2007), JOB argued at trial that independent claim 1 of the '593 patent is nothing more than the Lemson jack-in-the-box updated with modern electronics that were common by the time Mister Rogers filed the application that issued as the '593 patent. Moreover, in light of the high level of experience of a person of ordinary skill in the art, there would have been a reasonable expectation of success in combining the electronic crank of the Ching patent and the jack-in-the-

box of the Lemson patent. JOB also argued that particularized and specific motivations to combine need not be found in the Lemson and Ching patents themselves, particularly in the context of an improvement that arises from a desire to generally improve a known device using newer technology. Finally, JOB argued that secondary considerations confirmed the obviousness of independent claim 1, particularly the fact that the commercial success of the Jack-O-Bot was due to its music download function, not the electronic crank.

31. Classic's first trial witness on validity was Leslie Zevo, a toymaker who owned and operated a large toy factory in Anaheim, California, before leaving the toy manufacturing business as a rich man to run a toy consulting firm in 2000. Mr. Zevo testified that the jack-in-the box claimed in the '593 patent was functionally and operationally very different from the traditional jack-in-the-box disclosed in the Lemson patent, and that a person of ordinary skill in the art would not have known how to make the Lemson jack-in-the-box with an electronic crank, based upon the teachings of the Ching patent. In fact, Mr. Zevo testified that two of his large toy customers, King Arthur Toys and Odwallo, had approached him before 1998 about building a jack-in-the-box having an electronic crank. At the time, he expressed skepticism that such an electronic crank could be built in a way that would reliably "pop" the jack out of the box after a set number of turns, especially after repeated abuse from hyperactive children. King Arthur Toys and Odwallo ultimately abandoned the idea of manufacturing a jack-in-the-box having an electronic crank, concluding that it would be impossible to design and sell such a device in a profitable manner. Mr. Zevo's communications with King Arthur Toys and Odwallo were covered by a non-disclosure agreement that expired in 2006.

32. Mr. Zevo also testified that a person of ordinary skill in the art at the time that Mister Rogers filed his patent application would have had a low level of experience—a high school degree and a year of experience as an entry-level toy designer for a toy manufacturer. Such a person would consider only references pertaining to toy design to be within his field of endeavor.

33. Classic's second trial witness on validity was Buzz Lightyear, a toy industry analyst with the toy marketing firm of Woody, Lightyear & Potatohead LLP. Mr. Lightyear presented graphs showing that, while sales of traditional jack-in-the-box toys increased by fifty percent after the passage of The Classic Toys for America's Youth Act, sales of the Jack-O-Bot increased by 5000 percent. Mr. Lightyear attributed the extraordinarily high increase in Jack-O-Bot sales to the electronic crank, which was featured prominently on the packaging of the Jack-O-Bot with the words "Electronic Crank!" inside a red sunburst on all six sides of the box. In contrast, the remote control and music download features were relegated to bullet points in smaller type on one side of the box. Mr. Lightyear testified that, in light of the New England Journal of Medicine study, JOB was reluctant to emphasize features that reminded parents of televisions and computers, and therefore minimized its promotion of the remote control and music download features.

34. Mr. Lightyear also presented graphs showing that the Jack-O-Bot was much more reliable and dependable in terms of popping the jack out of the box after a set number of turns. In fact, while consumers returned approximately 10 percent of traditional jack-in-the-box toys to the retailer because of unreliable "popping," store returns of the Jack-O-Bot were closer to 5 percent. Most of that 5 percent pertained to parents' inability to figure out how

the music download function worked, not problems with the electric crank. The ability to reduce substantially the rate of store returns on jack-in-the-box toys was a huge boon for Jack-O-Bot. Toymakers had been trying for years to reduce the rate of store returns without success.

35. Classic therefore argued that JOB had failed to prove by clear and convincing evidence that independent claim 1 of the '593 patent was invalid as obvious. Classic contended that there was overwhelming evidence to support the conclusion that no motivation existed in the prior art for one of ordinary skill in the art to make a jack-in-the-box having an electric crank. In support of this contention, Classic noted that the specification of the Ching patent expressly taught away from the present invention when it stated that the electronic crank was not intended to be used in conjunction with devices having other moving parts, and argued that a jack-in-the-box necessarily has moving parts in addition to the crank. Even if there were such motivation, there was a long-felt need for a way to reduce substantially the rate of store returns on jack-in-the-box toys, and the unexpected reliability of the electronic crank would have rebutted any prima facie showing of obviousness. Classic distinguished the Leapfrog case on the grounds that, while applying modern electronics to older mechanical devices has been commonplace in many fields, the incorporation of electronics into jack-in-the-box toys was not straightforward and required more than the combination of familiar elements according to known methods.

36. Classic also argued that a person of ordinary skill in the art at the time that Mister Rogers filed his patent application would have had a low level of experience—a high school degree and a year of experience as an entry-level toy designer for a toy manufacturer. Such a person would not have had a reasonable expectation of success in combining the

electronic crank of the Ching patent and the jack-in-the-box of the Lemson patent. Even a seasoned toymaker like Mr. Zevo was skeptical at the time that an electronic crank could be built in a way that would reliably "pop" the jack out of the box after a set number of turns. Moreover, such a person would not have considered the Ching patent to be within his field of endeavor, particularly since he testified that workers for toy manufacturers are generally forbidden from any involvement in the gambling industry. The Ching patent thus was non-analogous art.

Conclusions of Law Regarding Jurisdictional Issues

1. The District Court considered arguments from both parties regarding whether the Court had proper jurisdiction. Classic argued that JOB must first breach the license (e.g., by refusing to pay the royalty) before the Court has jurisdiction to hear the declaratory judgment action. JOB argued that there was no per se prohibition against Declaratory Judgment actions by current patent licensees, and that such a prohibition would run afoul of the strong public policy of invalidating invalid patents. Thus, JOB argued, apprehension of suit is not a necessary condition to establishing a legal controversy. The District Court held that JOB brought this action as a non-repudiating licensee, and that it would exercise jurisdiction to resolve the issues, citing MedImmune, Inc. v. Genentech, 127 S. Ct. 764 (2007).

2. The Court held that the no-challenge clause was enforceable, and refused to award Classic its attorneys' fees in defending the suit. The court found the "no-challenge" clause to be distinguishable from the traditional blanket prohibition against a licensee challenging validity, which was rejected in Lear, Inc. v. Adkins, 395 U.S. 653 (1969). The court held that the reasoning in Lear was not impacted by the MedImmune decision.

3. The court also held that the 30% additional royalty provision would not apply in this case even if the patent were held valid. The court did not find this case exceptional. The court also held that the 30% additional royalty payment was punitive, and that the behavior in this case did not evidence a sufficiently high degree of bad faith to carry out contractual obligations to justify punitive damages. TVT Records v. Island Def Jam Music Group, 412 F.3d 82, 93-94 (2d. Cir. 2005).

Conclusions of Fact and Law Regarding Validity

1. Relying on the Supreme Court's decision in KSR Int'l Co. v. Teleflex, Inc., 127 S. Ct. 1727 (2007), the court found in favor of JOB on the issue of invalidity, holding that independent claim 1 of the '593 patent was invalid as obvious in view of the Lemson and Ching patents. The court stated that it was persuaded by the accused infringer's citation of the Federal Circuit's decision in Leapfrog Enterprises, Inc. v. Fisher-Price, Inc., 485 F.3d 1157 (Fed. Cir. 2007), particularly in light of the evidence put forth by JOB that accommodating the electronic crank of the Ching patent to the jack-in-the-box of the Lemson patent would have been reasonably obvious to one of ordinary skill in designing children's toys.

2. The court made the factual finding that the level of ordinary skill in the prior art is a person with a bachelors degree in mechanical engineering, or a person having three or more years of mechanical engineering-type employment.

3. The court also made the factual finding that the differences between the claimed invention and the prior art are insubstantial -- the present invention merely added electronic sensors to the prior art.

4. The court considered and rejected Classic's arguments that the Ching patent was not analogous art, citing KSR and In Re Icon Health and Fitness, Inc., 2006-1573 (Fed. Cir. August 1, 2007) for the proposition that "any need or problem known in the filed of endeavor at the time of invention and addressed by the patent can provide a reason for combining the elements in the manner claimed." KSR, 127 S. Ct. at 1742.

5. Further, the court considered but rejected Classic's arguments concerning commercial success, long-felt need, and unexpected results. The court held that, although there has been recent commercial success of the product based on the present patent, there is no nexus between the patented invention and the commercial success, which seems to be largely attributable to the new legislation and to the music download function of the Jack-O-Bot. Graham v. John Deere Co., 383 U.S. 1 (1966). While the court noted Classic's testimony regarding the increased reliability of the electronic crank, the court held that the influence of this factor was insignificant when considered in light of the new legislation and music download feature.