



INTELLECTUAL PROPERTY LITIGATION

BY LEWIS R. CLAYTON

Vague Claim Construction Rules

WHY CAN'T federal trial judges figure out what patents mean? As it held en banc in *Cybor Corp. v. FAS Technologies, Inc.*, 138 F3d 1448 (Fed. Cir. 1998), district court rulings on claim construction — interpretations of the meaning of patent claims — are reviewed de novo as questions of law by the U.S. Court of Appeals for the Federal Circuit. A recent study concluded that over 40 percent of all claim construction rulings reviewed by the Federal Circuit in 2001 were reversed in whole or part. Andrew T. Zidel, "Patent Claim Construction in the Trial Courts: A Study Showing the Need for Clear Guidance from the Federal Circuit," 33 Seton Hall L. Rev. 711 (2003). While other studies have reported lower numbers, this percentage is in line with a survey cited in Judge Rader's dissenting opinion in *Cybor*. Judge Randall R. Rader wrote then that a "reversal rate, hovering near 50 percent, is the worst possible. Even a rate that was much higher would provide greater certainty."

Claim construction isn't easy — particularly for a non-scientist — and trial judges will never accumulate the patent law experience of judges on the Federal Circuit. Beyond these issues, however, are the Federal Circuit's rules of claim construction too confusing? Does the Federal Circuit tinker too much with lower court rulings, like a senior lawyer who rewrites everything he receives from an associate?

An Example

A Federal Circuit decision issued last month illustrates how vague many claim construction rules can be. *Storage Tech. Corp. v. Cisco Systems, Inc.*, 329 F3d 823 (Fed. Cir. 2003), found that a



trial court that hears many patent cases, the Northern District of California, committed several errors construing the term "caching policy identification information" in a patent covering data communication networks.

First, the trial court improperly read the preamble of the claim as a limitation, rather than merely a reference to the invention as a whole. But the Federal Circuit acknowledged there is no clear rule concerning when the preamble will properly function as a limitation: "Whether to treat a preamble as a claim limitation is determined on the facts of each case in light of the claim as a whole and the invention described in the patent."

Second, making a common mistake, the district court relied on the specification and the prosecution history to read an additional limitation into the claims. But these materials are appropriately used to construe, rather than limit, the language of the claims. As the Federal Circuit conceded, "there is sometimes a fine line between reading a claim in light of the written description and relevant prosecution history, and reading a new limitation into the claim." It found that the trial court had erroneously relied on an "inaccurate" statement in the prosecution history to limit the claims — noting that an "inaccurate statement cannot override the claim language itself, which controls the bounds of the claim." But, when is the prosecution history "inaccurate," and when does it actually help the court to

understand the meaning of the claims?

Third, the district court improperly used "extrinsic evidence" — evidence outside the "intrinsic evidence" of the patent text and prosecution history — to construe the claims. Extrinsic evidence is "appropriate only when an ambiguity remains after consulting the intrinsic evidence of record." Again, however, it is not always easy to decide when the technical language of a patent is "ambiguous" enough to allow use of extrinsic evidence. Indeed, extrinsic evidence typically must be used to understand the meaning of technical terms of art used in the claims.

And these are far from the only ambiguous rules of claim construction. Consider the canon that "claim language generally carries the ordinary meaning of the words in their normal usage in the field of invention." As the Federal Circuit recently said, "while this 'ordinary meaning' rule is usually expressed as a pat formula, the context supplied by the field of invention, the prior art, and the understanding of skilled artisans generally is key to discerning the normal usage of words in any claim." *Invitrogen Corp. v. Biocrest Mfg., L.P.*, 327 F3d 1364, 1367 (Fed. Cir. 2003). Clearly, there is ample room for debate about the "ordinary meaning" of a term in this context.

Is there a way to reverse the high reversal rate of claim construction rulings, without imposing a set of rules so rigid and desiccated that they do violence to the "true" meaning of patent claims? Unless the Federal Circuit decides to change the de novo review standard of *Cybor* and give deference to district court claim construction, it is hard to see how.

Trademarks

In *Dastar Corp. v. Twentieth Century Fox Film Corp.*, 123 SCt 2041 (2003), the Supreme Court decided a quirky case that could have come out of a law school exam. In 1948, Doubleday published Dwight Eisenhower's World War II book, "Crusade in Europe." Fox acquired television rights and had a television series produced based on the book and including film clips from a number of sources. Fox failed to renew its

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copyright on the series, which passed into the public domain, and questions were raised about the validity of Doubleday's attempt to renew its copyright in the book. After the television copyright expired, defendant Dastar produced and distributed under its name an edited version of the series with a new title. Reversing U.S. Court of Appeals for the Ninth Circuit, the Supreme Court held that Fox could not sue Dastar for false designation of origin under §43(a) of the Lanham Act. The court found that the phrase "origin of goods" in §43(a) refers "to the producer of the tangible goods that are offered for sale [here, Dastar], and not to the author of any idea, concept, or communication embodied in those goods." Any other result "would create a species of mutant copyright law" limiting the public's right to use material covered by expired copyrights. *Dastar* continues a trend of Supreme Court precedent preventing use of the Lanham Act to create rights in materials otherwise in the public domain. See *TraFFix Devices, Inc. v. Marketing Displays, Inc.*, 532 US 23 (2001) (trade dress claim could not be based on functional features claimed in expired patent).

In 1999, the Lanham Act was amended to add dilution as a basis for opposition to federal trademark registration. Deciding an issue of first impression, the Federal Circuit held that, where a registrant has used a mark — even in a limited geographic area — before that mark became famous, the holder of the famous mark cannot oppose registration on dilution grounds. *Enterprise Rent-A-Car Co. v. Advantage Rent-A-Car, Inc.*, 2003 WL 21242567 (Fed. Cir. May 20, 2003). The court first held that a claim under the Federal Dilution Act cannot be maintained where a defendant has used the mark before it became famous and that the act does not require that "the defendant's use be substantial or cover a wide geographic area to defeat an injunction under the statute." It therefore reasoned that limited prior use is sufficient to prevent the owner of a famous mark from contesting registration. Finding that the registrant, Advantage Rent-A-Car, had used the slogan "We'll Even Pick You Up" in parts of four states before a similar slogan was made famous by Enterprise Rent-A-Car, the court affirmed dismissal of Enterprise's opposition. Under this ruling, even obscure prior uses of a mark will support nationwide registration, despite the likelihood of dilution of a famous mark.

A sharply divided U.S. Court of Appeals for the Fourth Circuit panel held that the foreign owner of the Monte Carlo casino could assert trademark rights in the casino's name under U.S. law, although the casino's services are exclusively rendered abroad. *Int'l Bancorp, LLC v. Societe Des Bains de Mer et du Cercle des Etrangers a Monaco*, 329 F3d 359 (4th Cir. 2003). Lanham Act jurisdiction requires "use in commerce" of a mark

that is distinctive to United States consumers. The panel majority sustained jurisdiction because patronage of the casino by Americans constitutes "trade with a foreign nation that Congress may regulate under the Commerce Clause" and because the casino mark is used in the U.S. to market gambling services to U.S. citizens. The court affirmed a judgment finding that use of the casino's mark in Web sites offering online gambling constituted trademark infringement and cybersquatting. The dissent complained that the majority's "unprecedented" decision will create a "windfall of potential United States trademark rights" for foreign users and "wreak havoc over this country's trademark law."

Copyrights

In *Silvers v. Sony Pictures Entm't, Inc.*, 2003 WL 21264318 (9th Cir. June 3, 2003), the U.S. Court of Appeals for the Ninth Circuit held that an accrued cause of action for copyright infringement may be assigned to a third party, notwithstanding that the assignee receives no other copyright rights in the work. Section 501(b) of the Copyright Act provides that "the legal or beneficial owner of an exclusive right under a copyright" may sue for infringement. The Ninth Circuit found that nothing in the statute "specifies or suggests that the legal or the beneficial owners are the exclusive plaintiffs in copyright cases." On this issue, the court parted ways with the Second Circuit, which wrote in *Eden Toys, Inc. v. Florelee Undergarment Co.*, 697 F2d 27, 32 n.3 (2d Cir. 1982) that the act does not permit "holders of rights under copyrights to choose third parties to bring suits on their behalf."

Judge Richard Posner of the U.S. Court of Appeals for the Seventh Circuit analyzed copyright damages from an economist's perspective in *Bucklew v. Hawkins, Ash, Baptie & Co., LLP*, 329 F3d 923 (7th Cir. 2003). Plaintiff had a thin copyright covering software used to fill out a grant application — his work added little more than customized fonts, colors, labels and headings to a government form. Defendant duplicated the work and sold a competing product. The court found that a copyright plaintiff "can sue for his losses or the infringer's profits, but not for the sum of the two amounts." By "forcing the infringer to disgorge his profit should it exceed the copyright owner's loss, the law discourages infringement and encourages the would-be infringer to transact with the copyright owner rather than 'steal' the copyrighted work." An award of damages for the "time savings" gained because of the infringement was reversed, as those savings reflected appropriation of plaintiff's idea, rather than his expression — "they were not the fruit of conduct for which copyright law is intended to provide a remedy." The court also found that, although plaintiff may have stated a claim for common-law fraud,

the Copyright Act nevertheless preempted an award of punitive damages based on copying of the work.

A California district court granted summary judgment dismissing contributory and vicarious infringement claims brought by movie and television producers and holders of music copyrights against the operators of unlicensed internet peer-to-peer file sharing services including Grokster and Kazaa. *Metro-Goldwyn-Mayer Studios, Inc. v. Grokster, Ltd.*, 2003 WL 1989129 (C.D. Cal. April 25, 2003). The court held that, in order to establish contributory infringement, defendants "must have actual knowledge of infringement at a time when they can use that knowledge to stop the particular infringement." Distinguishing the case from *A&M Records, Inc. v. Napster, Inc.*, 239 F3d 1004 (9th Cir. 2001), which sustained an injunction against Napster's file sharing service, the court wrote that the defendants before it do not provide the "site and facilities" for infringement — if defendants "closed their doors and deactivated all computers within their control, users of their products could continue sharing files with little or no interruption."

Patents

A patent is unenforceable because of inequitable conduct if material information is withheld from the examiner with intent to deceive. In *Dayco Products, Inc. v. Total Containment, Inc.*, 2003 WL 21203300 (Fed. Cir. May 23, 2003), deciding an issue of first impression, the Federal Circuit held that the rejection of substantially similar claims being prosecuted in a co-pending application before a different examiner is material. The court found it unnecessary to resolve a broader issue concerning the standard for materiality. Until 1992, patent office rules defined as "material" any information that a "reasonable examiner" would be substantially likely to consider important in determining patentability, and the Federal Circuit applied that standard. In 1992, the patent office rules were amended to narrow the definition to apply to information that establishes a "prima facie case of unpatentability" or "refutes, or is inconsistent with a position the applicant takes." Finding that rejection of a substantially similar application is material under either formulation, the court did not decide which definition should be applied to applications prosecuted after the amendment.

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