

INTELLECTUAL PROPERTY LITIGATION

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Struggles in Claim Construction to Clarify Vague Patents

Paragraph 2 of §112 of the Patent Act imposes the requirement that patent claims be definite. It provides that a specification must “conclude with one or more claims particularly pointing out and distinctly claiming the subject matter which the applicant regards as his invention.”

While this requirement is fundamental, it is seldom the basis for a successful challenge to patent validity. The U.S. Court of Appeals for the Federal Circuit’s recent decision in *Halliburton Energy Services Inc. v. M-I LLC*, 514 F.3d 1244 (Fed. Cir. 2008), sustaining an indefiniteness challenge, illustrates the operation of the doctrine.

To be definite, a claim must be understandable to a person skilled in the art practiced in the patent, a standard that “is easy to state, [but] has not always proved easy to apply.” *Exxon Research & Engineering Co. v. United States*, 265 F.3d 1371, 1375 (Fed. Cir. 2001). As the U.S. Supreme Court said decades ago, the definiteness doctrine requires “clear-cut” claims to give the public fair notice of the bounds of the claimed invention and “enable courts to determine whether novelty and invention are genuine.” *United Carbon Co. v. Binney & Smith Co.*, 317 U.S. 228, 236 (1942).

But these interests only go so far, definiteness does not require that claims be unambiguous. To the contrary, a claim may be definite even though it presents “close questions of claim construction on which expert witnesses, trial courts, and even the judges of [the Federal Circuit] may disagree.” *Exxon Research*, 265 F.3d at 1375. Only where “reasonable efforts at claim construction prove futile,” *id.*, will a claim be invalidated as indefinite.

The patent in *Halliburton* claimed oil field drilling fluids used to remove drill cuttings from a well-bore and cool and lubricate drill bits. During prosecution, the invention was distinguished over prior art on the ground that the claims were limited



to “fragile gels.” The specification explained that “fragile gels” are “easily disrupted or thinned,” so that the substance becomes more “liquid-like” under stress, but “quickly returns to a gel” when the stress is removed.

Affirming summary judgment of invalidity, the Federal Circuit held that the patent presented “ambiguity as to the scope of ‘fragile gel’ [that] cannot be resolved.” The Court of Appeals rejected *Halliburton*’s argument that the term was adequately defined by a graph included in the specification that charted the viscosity of the claimed and prior art fluids as they were exposed to stress. The graph did not sufficiently distinguish the invention from the prior art, some of the prior art fluids showed similar performance.

In addition, the graph did not place any limits on the performance of the claimed fluid as compared to the prior art, failing to define the “degree” to which the invention was superior. Therefore, “*Halliburton*’s proposed definition would allow the claims to cover not only that which it invented that was superior to the prior art, but also all future improvements to the gel’s fragility.” While a patentee may claim its invention “broadly, [it] must do so in a way that distinctly identifies the boundaries” of the claim.

Halliburton also argued that a “fragile gel” could be defined by reference to its capability to keep cuttings suspended during drilling operations, but nothing in the specification defined the minimum quantity, weight or volume of materials that the fluid must be able to handle.

The Court of Appeals saw the *Halliburton* patent as an object lesson concerning the “dangers of using only functional claim limitations to distinguish the claimed invention from the prior art.” While it is clearly permissible to define a claim limitation “in purely functional terms, the task of determining whether that limitation is sufficiently definite is a difficult one that is highly dependent on context (e.g., the disclosure in the specification and the knowledge of a person of ordinary skill in the relevant art area).”

The court stressed that the applicant is in the best position to resolve ambiguity in the claims, for example, by using objective formulas, measurements and limits to define the claim. *Halliburton* could have supplied “quantitative metrics” to define how quickly the gel must break down, or how strong it must be, under given conditions.

As countless opinions demonstrate, the Federal Circuit and lower courts will struggle mightily to arrive at a claim construction that makes sense of an ambiguous patent. But as the *Halliburton* opinion demonstrates, where drafters don’t take sufficient steps to define a claim, and particularly where they rely on functional language to define an invention, applicants risk invalidation for indefiniteness.

Trademarks

In issuing injunctions under the Lanham Act, federal courts have recognized that a party who has infringed a trademark (or engaged in false advertising) can be “fenced in”—ordered to maintain a “safe distance” from wrongful conduct in the future. In *PRL Holdings Inc. v. United States Polo Ass’n Inc.*, 2008 WL 564970 (March 4, 2008), the Second Circuit held that the “safe distance” rule should not be incorporated in jury instructions in an infringement action filed against a party previously adjudged a trademark infringer. PRL, holder of the famous Ralph Lauren Polo marks, obtained an injunction against the U.S. Polo Association (USPA) in 1984 prohibiting infringement of certain PRL marks. PRL later sued USPA, alleging infringement of several PRL marks, and requested that the jury in that action be instructed that “a prior adjudicated infringer of another’s trademarks must thereafter keep a safe distance and will be held to a higher standard of

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conduct...than would have been applied in the first instance....” The Second Circuit noted that the safe distance rule serves a “useful purpose” in fashioning injunctions based on a finding of infringement, “especially where the infringement was abusive or in bad faith.”

The Court of Appeals found, however, that the doctrine should not be used in an infringement action, where it could “change the standard of liability” by inviting the jury to find liability based on a mark not likely to cause confusion.

Stressing that trademark rights may be acquired only through use of a mark to identify the source of a product or service, the Second Circuit affirmed summary judgment dismissing a challenge to American Express’ “MY LIFE. MY CARD.” advertising campaign. *American Express Co. v. Goetz*, 2008 WL 281823 (2d Cir. Feb. 4, 2008). Plaintiff Goetz developed software to enable holders to personalize credit cards by choosing a photograph to be printed on the card’s face. He mailed a proposal to American Express including a line reading “My Life, My Card’ American Express delivers personalized cards to its cardholders!” Similar mailings went to other major credit card issuers, inserting their names in this phrase. Shortly thereafter, American Express’ advertising agency independently developed its “MY LIFE. MY CARD.” campaign. The Court of Appeals held that Mr. Goetz had used the slogan only as a “component” of his business proposal, not as a designation of origin, his claim was no stronger than that of “an advertising agency that offers its clients a marketing concept to enhance their sales.” Nor could Mr. Goetz benefit from the “analogous use” doctrine, which allows a trademark holder to establish priority based on advertising and promotional activity predating actual trademark use. The Second Circuit held that the doctrine does not apply to nonpublic use such as Mr. Goetz’s marketing proposals, and that it can only be used where actual trademark use follows the advertising or promotional activity.

Copyright

In 2004, a decision in the U.S. District Court for the Southern District of New York indicated that punitive damages may be available under the Copyright Act, at least where the plaintiff may not seek statutory damages. *Blanch v. Koons*, 329 F.Supp.2d 568 (S.D.N.Y. 2004). Earlier this month, the judge who issued *Blanch* repudiated it. *Viacom Int’l Inc. v. Youtube Inc.*, 2008 WL 629951 (S.D.N.Y. March 7, 2008). Stating that, if “it ever was, [*Blanch*] is no longer good law,” the district court held unequivocally that “common-law punitive damages cannot be recovered under the Copyright Act.”

The Copyright Act was amended in 1990 to extend protection to “architectural works,” a category that includes the design of a “building.” *Patriot Homes Inc. v. Forest River Housing Inc.*, 2008 WL 544772 (N.D. Ind. Feb. 22, 2008), held that the design of a “modular home,” a structure transported by truck and attached to a foundation dug on site, qualifies for copyright protection.

Copyright Office Regulations define “building” to include “humanly habitable structures that are intended to be both permanent and stationary, such as houses....” “Mobile homes” (as well as bridges, cloverleaves, dams, tents and recreational vehicles) are specifically excluded. The district court found that, unlike a mobile home, which is, of course, movable, a modular home satisfies the regulations because it is designed to be stationary, and requires a permanent foundation.

The Federal Circuit recently in ‘Halliburton’ sustained an indefiniteness challenge and illustrated the doctrine. To be definite, a claim must be understandable to a person skilled in the art of patents, a standard that “is easy to state, [but] has not always proved easy to apply.”

Patents

Micron Tech. Inc. v. MOSAID Techs. Inc., 2008 WL 540182 (Fed. Cir. Feb. 29, 2008), illustrates the impact of *MedImmune Inc. v. Genentech Inc.*, 127 S.Ct. 764 (2007), where the Supreme Court held that a party threatened with a claim of patent infringement may sue for declaratory judgment if there is a “substantial controversy...of sufficient immediacy and reality.” Micron, a leading DRAM manufacturer, filed for a declaratory judgment of noninfringement of MOSAID patents in the Northern District of California in 2005. The next day, MOSAID filed an infringement action against Micron in the Eastern District of Texas. Applying the pre-*MedImmune* “reasonable apprehension of suit” test, the California court dismissed for lack of subject matter jurisdiction. On appeal, the Federal Circuit held that under *MedImmune*, the California court had jurisdiction. In 2001 and 2002, MOSAID sent Micron a warning and follow-up letters strongly suggesting that Micron should license MOSAID’s technology. The four major DRAM manufacturers, including Micron, did not take licenses. Over the next three years, MOSAID challenged each of the other three manufacturers in court. After settling and obtaining licensing agreements from two of the manufacturers, MOSAID publicly stated its intent to pursue an aggressive licensing strategy, and press reports predicted that Micron posed the next obvious target. This record “amply supports a real and substantial dispute between these parties” and “strongly suggested that MOSAID would sue Micron soon.” The Federal Circuit counseled that, to avoid a “forum-seeking race to the courthouse” between accused infringers and patent holders, district courts should consider “convenience factors” to determine the more appropriate forum.

Under §102(b) of the Patent Act, a patent is invalid if the claimed invention was “on sale” for more than one year before the application filing date. Experimental use establishes an exception to the on-sale bar if the sale was merely incidental to the primary purpose of experimentation. In *Atlanta Attachment Co. v. Leggett & Platt Inc.*, 2008 WL 450568 (Fed. Cir. Feb. 21, 2008), the Federal Circuit reversed a summary judgment of infringement, finding that the patent was invalid due to the on-sale bar. Atlanta Attachment, a commercial sewing machine manufacturer, developed the invention for a customer, Sealy Inc. During development, Atlanta Attachment sold Sealy a series of prototypes, and offered to sell Sealy production models based on those prototypes. Sealy experimented with these prototypes at its facilities, then gave Atlanta Attachment verbal comments about necessary improvements. More than one year before the patent filing date, Sealy purchased the third prototype and inspected it at Atlanta Attachment’s facilities.

The third prototype was substantially similar to the final prototype and included each element of the claimed invention. The Federal Circuit held that the experimental use exception does not apply to experimentation by a customer to determine whether the invention suits the customer’s purposes. Significantly, the testing that ultimately invalidated the patent was performed by Sealy and Atlanta Attachment had no control over it. A cautious inventor may wish to reach agreement with any customer who receives a prototype.

In *Sitrick v. Dreamworks, LLC*, 2008 WL 269443 (Fed. Cir. Feb. 1, 2008), the Federal Circuit affirmed summary judgment of invalidity for lack of enablement. Proper enablement requires that the patent specification teach one skilled in the art to make and use the full scope of the claimed invention. Plaintiff Sitrick patented a system for substituting an existing character in a video game or movie with user-generated images and audio. In a video-game system, the substitution is performed by the “Intercept Adapter Interface System” (IAIS), which intercepts video-game signals, then reconfigures the signals so that the user image and audio is substituted for the predefined character. Mr. Sitrick sued the producers and distributors of an allegedly infringing product. The defendants’ experts demonstrated that the methods for selecting, analyzing, or identifying characters or intercepting characters in video games would not work for movies. Unlike video games, movies do not have discrete character functions that the IAIS could extract and substitute with a user-generated image. The Federal Circuit agreed with the lower court that the invention was not enabled for movies. Strategically, the patent holder might have avoided invalidation of the entire patent by seeking a narrow claim construction limited to video games.