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**DE NOVO REVIEW OF CLAIMS CONSTRUCTION
OR A WASTED EFFORT OF THE DISTRICT
COURT: *INTERACTIVE GIFT EXPRESS, INC. V.
COMPUSERVE, INC.***

Tarek N. Fahmi† and Elena B. Dreszer††

*Appeal: In law, to put the dice into the box for another throw.*¹

I. INTRODUCTION

Several years before Tim Berners-Lee ushered in the modern-day World Wide Web by developing the first WWW client,² a computer scientist named Charles Freeny, Jr. obtained U.S. Patent 4,528,643 in which he described his idea for a network of “information manufacturing machines” (IMMs) that could swap digital information over telephone lines.³ Today, Freeny’s patent is at the center of a dispute involving a company with no material assets other than the patent⁴ and potentially tens of thousands of would-be infringers.⁵ This state of affairs exists even though a U.S. district

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1. AMBROSE BIERCE, *THE DEVIL’S DICTIONARY* 9 (Louis M. Hacker ed., Sagamore Press 1957), <http://sunsite.berkeley.edu/Literature/Bierce/DevilsDictionary> (last visited Dec. 12, 2002).

2. See, e.g., Tim Berners-Lee, *Information Management: A Proposal* (March 1989), at <http://www.w3.org/History/1989/proposal.html> (last visited Dec. 12, 2002).

3. U.S. Patent No. 4,528,643, col. 5, ll. 1–50 (issued Jul. 9, 1985).

4. See E-Data Corporation, *Corporate Information*, at <http://www.e-data.com/e-corp.htm> (last visited Dec. 12, 2002).

5. As part of its Corporate Information, E-Data states that the Freeny patent covers “the basic building blocks of an emerging global e-commerce market for music, books, films, tickets

court ruled, in May 1998, that Freeny's patent was limited to a rather narrow implementation that was inconsistent with the way in which most consumers use the Internet to download software and other materials.⁶ The reason for this seeming inconsistency lies in the fact that the district court's interpretation of the claims was vitiated through *de novo* review of the issues in the U.S. Court of Appeals for the Federal Circuit.⁷

Strangely, the uncertainty generated by the Federal Circuit's decision was exactly the type of outcome that the establishment of the court was supposed to avoid. When Congress created the U.S. Court of Appeals for the Federal Circuit, one of the stated goals was to ensure uniform application of the patent laws in the nation.⁸ Hence, Congress created one court with jurisdiction to hear all appeals of original patent claims to avoid regional circuit courts' disagreement over the application of these laws.⁹ This policy was further carried over to the realm of claims construction through the Supreme Court's decision in *Markman v. Westview Instruments, Inc.*,¹⁰ in which the Court sided with the Federal Circuit and held that claims construction was a matter of law to be decided by the district court judge in the first instance.¹¹ One of the reasons cited in support of this treatment was the need for uniformity in the treatment of a given patent.¹²

However, empirical studies by various authors, including one of the Federal Circuit's own judges,¹³ have shown that uniformity is conspicuously absent when it comes to issues of claims construction in patent litigation.¹⁴ And given that claims construction lies at the

and other products digitally distributed through the Internet and point of sale kiosk networks[.]" and cites a blizzard of statistical reports in support of its claim. *Id.*

6. *Interactive Gift Express, Inc. v. CompuServe Inc.*, 47 U.S.P.Q.2D (BNA) 1797, 1809 (S.D.N.Y. 1998).

7. *Interactive Gift Express, Inc. v. CompuServe Inc.*, 256 F.3d 1323, 1331 (Fed. Cir. 2001).

8. Commission on Revision of the Federal Court Appellate System, Structure and Internal Procedure: Recommendations for Change, 5-8 (1975), *reprinted in* 67 F.R.D. 195, 209-12, 220 (1975).

9. See Federal Courts Improvement Act of 1982, Pub. L. No. 97-164, 96 Stat. 25 (1982); H.R. REP. NO. 97-312, at 5 (1981) (enacting a single court of appeals for patent cases that would promote certainty where it is lacking to a significant degree and will reduce, if not eliminate, forum-shopping).

10. *Markman v. Westview Instruments, Inc.*, 517 U.S. 370 (1996).

11. *Id.* at 384-91.

12. *Id.*

13. See *Cybor Corp. v. FAS Techs., Inc.*, 138 F.3d 1448, 1476 n.4 (Fed. Cir. 1998) (en banc) (Rader, J., dissenting on claim interpretation).

14. See Christian A. Chu, *Patent: Standards of Review: Dickinson v. Zurko*, 15 BERKELEY TECH. L.J. 209 (2000).

heart of virtually every patent dispute, this lack of certainty is leading to ever-increasing costs to litigants (and even non-litigants for that matter), as parties are not willing to concede claims construction issues until at least one appeal has been taken. The *Markman* decision established an important objective: the (preferably early) resolution of key issues in patent litigation by learned judges who were deemed best equipped to render decisions on such matters because these individuals were familiar with reading and deciphering complex legal documents.¹⁵ In practice though, the Federal Circuit's *de novo* review of such decisions (a standard of review not explicitly prescribed by the Supreme Court's *Markman* decision) has led to reversal rates of or near 40% in those cases in which claims construction is reviewed.¹⁶ This Casenote will illustrate, through the *Interactive Gift Exchange* decision, how *de novo* review erodes certainty about a patent claim's meaning.

II. THE CASE

This case involves a business method patent allegedly infringed by a number of companies engaged in e-commerce and the traditional retail business.¹⁷ The issue presented to the Federal Circuit for review was claims construction.¹⁸ In its opinion, the Federal Circuit disagreed with most of the lower court's findings regarding the construction of the pertinent claim terms,¹⁹ thus significantly broadening the scope of the patent at issue. To understand how this turn of events came to pass, some brief history is necessary.

A. Background

Despite his vision for a network of IMMs, Freeny was unable to commercially exploit his invention and so, in 1989, he sold his patent to a company called Avedas Corporation for a little over \$100,000.²⁰ At the time, Avedas was creating an electronic software-distribution system in Europe, but ultimately, Avedas did not have much better

15. *Markman v. Westview Instruments, Inc.*, 517 U.S. 370 (1996).

16. *See, e.g., Cybor Corp.*, 138 F.3d at 1476 n.4.

17. *Interactive Gift Express, Inc. v. CompuServe Inc.*, 256 F.3d 1323, 1329 (Fed. Cir. 2001).

18. *Id.* at 1330–31.

19. *Id.* at 1327.

20. Paul Schreiber, *Never Say Die*, NEWSDAY, Aug. 6, 2001, C14–15, <http://www.e-data.com/e-newsNever.pdf> (last visited Dec. 12, 2002); Edmund B. Burke, *For Once, Law Anticipates Technology: The E-Data Patent Saga*, 32 EDUCOM REVIEW 6, 6 (1997), <http://www.educause.edu/pub/er/review/reviewArticles/32206.html> (last visited Dec. 12, 2002).

luck than Mr. Freeny when it came to exploiting the patent. In 1994, before eventually going out of business, the distressed Avedas Corporation sold the patent (for about \$300,000) to Dial-a-Gift, a Utah company that later became Interactive Gift Express, Inc. and is now known as E-Data Corp.²¹

All of this history would be rather uninteresting were it not for the fact that E-Data (the present patent owner) has repeatedly asserted that Freeny's original patent covers virtually all forms of electronic commerce in which digital products are downloaded over the Internet.²² This is quite a claim considering that Mr. Freeny has been quoted as observing, "I didn't foresee the Internet."²³ Nevertheless, E-Data has sued a number of companies alleging infringement of the Freeny patent,²⁴ and has transmitted notice letters to countless others accusing them of such infringement.²⁵ The company has even had some success in signing up licensees, reportedly inking deals with IBM and Adobe Systems, Inc. among others.²⁶

B. Procedural History

E-Data embarked on its path to litigation in early 1995,²⁷ shortly after acquiring the Freeny patent. By the summer of that year, E-Data had sued over 20 alleged infringers and added 22 more to the lawsuit the following spring.²⁸ By mid-1996, E-Data had reportedly sent out over 75,000 letters to potential infringers, offering "amnesty" from past infringement if the recipient agreed to pay royalties amounting to 1-5% of revenues.²⁹

Although the litigation progressed slowly, one could argue that things seemed to be going E-Data's way until March 1999. At that time, the U.S. District Court for the Southern District of New York

21. *Id.* at C15.

22. See E-Data Corporation, *Infringement Information*, at <http://www.e-data.com/e-infring.htm> (last visited Oct. 22, 2002).

23. Burke, *supra* note 20, at 6.

24. Interactive Gift Express, Inc. v. CompuServe Inc., 47 U.S.P.Q.2D (BNA) 1797, 1798 (S.D.N.Y. 1998). Note: One of the authors represents clients that have been accused of infringing the Freeny patent. The views expressed herein should in no way be interpreted as necessarily expressing the views or legal positions of those clients.

25. Neil Gross & Amy Cortese, *E-Commerce: Who Owns the Rights*, BUS. WK., July 29, 1996, at 65, <http://www.businessweek.com/1996/31/b348688.htm> (last visited Nov. 20, 2002).

26. *Id.* at 66.

27. Keith Dawson, *Timeline of IGE / E-DATA Enforcement of Freeny Patent*, Tasty Bits from the Technology Front, at <http://www.tbtf.com/resource/freeny-timeline.html> (last updated July 14, 1996).

28. *Id.*

29. *Id.*

(one of the courts hearing Freeny patent litigation) finally ruled that the defendant companies had not infringed the Freeny patent.³⁰ Specifically, in a stipulated judgment based on claims construction rulings entered by the district court, the parties agreed that the Freeny patent was not broad enough to cover the types of Internet downloads being conducted by the defendants.³¹

As expected, E-Data appealed the claims construction ruling and, in a sweeping reversal of every single claims construction ruling of importance entered by the district court, the Federal Circuit breathed new life into E-Data's licensing campaign by holding that the Freeny patent was sufficiently broad enough even to cover software downloads by a user sitting at his or her home computer.³² In reversing the district court's claims construction ruling, the Federal Circuit noted that the lower court had conducted "a thorough and careful analysis of the Freeny patent and the relevant legal standards for claims construction."³³ Indeed, at times, the Federal Circuit even approved some of the district court's findings with respect to claims construction issues.³⁴ Nevertheless, when it came to assigning meaning to the disputed claim terms, the Federal Circuit found fault with every definition adopted by the district court and applied its own definitions instead.³⁵

As a result of the Federal Circuit's decision, the case was remanded back to the district court for further proceedings.³⁶ Where once there was certainty (stipulated noninfringement based on what even the Federal Circuit agreed was a painstaking analysis of the patent-in-suit), there is now uncertainty, as the accused infringers must devise new reasons for noninfringement based on a new interpretation of the claims. Such uncertainty has not only increased the costs of the litigation for all parties involved, but has also led to new costs for companies not even connected with the lawsuit as E-Data rushes to place as many potential infringers as possible on notice

30. *Interactive Gift Express, Inc. v. CompuServe Inc.*, 47 U.S.P.Q.2D (BNA) 1797 (S.D.N.Y. 1998).

31. *See Interactive Gift Express, Inc. v. CompuServe Inc.*, No. 95-CV-6871, 1998 U.S. Dist. LEXIS 21019 (S.D.N.Y. Nov. 30, 1998) (judgment and order).

32. *Interactive Gift Express, Inc. v. CompuServe Inc.*, 256 F.3d 1323, 1333 (Fed. Cir. 2001).

33. *See id.* at 1330.

34. *See, e.g., id.*

35. *See id.* at 1349.

36. *See id.*

before the Freeny patent expires next January.³⁷

C. The Patent

The Freeny patent discloses a method and system for reproducing information in material objects at a point of sale location.³⁸ The invention purported to assist manufacturers in managing the relationship between supply and demand, thus solving problems related to manufacturing, stocking, and shipping of information-embodying products, as well as ensuring that the information owner is compensated for the information provided.³⁹ Originally, the patented system was used in retail stores.⁴⁰ With the expansion of e-commerce, however, the owners of the Freeny patent began to assert that some of the characteristics of the on-line transactions bore a familiarity to the Freeny patent claims. According to the E-Data corporate website, the Freeny patent and the corresponding foreign patents “are the basic building blocks of an emerging global e-commerce market[.]”⁴¹ Given this characterization of the Freeny patent, it is easy to imagine (for E-Data, at least) that anyone engaged in e-commerce (e.g., downloading a file to one’s personal computer for a fee) is a potential infringer.

D. Summary of the Federal Circuit Claims Construction

Claim 1 of the Freeny patent reads:

1. A method for reproducing information in material objects utilizing information manufacturing machines located at point of sale locations, comprising the steps of:

providing from a source remotely located with respect to the information manufacturing machine the information to be reproduced to the information manufacturing machine, each information being uniquely identified by a catalog code;

providing a request reproduction code including a catalog code uniquely identifying the information to be reproduced to the information manufacturing machine requesting to reproduce

37. U.S. Patent No. 4,528,643 (issued July 9, 1985).

38. *See id.*

39. *Id.* at col. 4, ll. 8–18.

40. Eric J. Sinrod, *CyberSpeak: Patent War Over Downloading Software*, USA TODAY.COM, Aug. 16, 2001, <http://www.usatoday.com/life/cyber/ccarch/2001-08-16-sinrod.htm>.

41. E-Data Corporation, *Corporate Information*, *supra* note 4.

certain information identified by the catalog code in a material object;

providing an authorization code at the information manufacturing machine authorizing the reproduction of the information identified by the catalog code included in the request reproduction code; and

receiving the request reproduction code and the authorization code at the information manufacturing machine and reproducing in a material object the information identified by the catalog code included in the request reproduction code in response to the authorization code authorizing such reproduction.⁴²

Several of the terms in this claim were subject to interpretation in the district court, among them “authorization code,” “point of sale location,” “material object,” and “information manufacturing machine.”

In construing these terms the court held that an authorization code could not be a computer’s IP address.⁴³ Instead, the authorization code included a so-called IMM code that identified a particular IMM, an encoded catalog code (that identified a product being purchased by a consumer), an encoded catalog decipher program, and an encoding catalog authorization select code.⁴⁴ Indeed, the encoded catalog decipher program (which is needed for the IMM to actually decode the information to be reproduced by the IMM) was said to be “the seminal component of the authorization code.”⁴⁵

The term “point of sale location” was interpreted to mean a location at which blank “material objects” were available for sale to consumers, for example, a retail outlet.⁴⁶ The “material objects” were interpreted to be items that are removable from an IMM (and so not computer hard drives), used at a point other than at a point of sale location and offered for sale independently at the point of sale location and distinct from the IMM.⁴⁷

The IMM was read to mean a device that includes at least four units: a manufacturing control unit, a master file unit, an information manufacturing unit, and a reproduction unit.⁴⁸ The master file unit

42. U.S. Patent No. 4,528,643, col. 28, 22–47 (issued July 9, 1985).

43. *Interactive Gift Express, Inc. v. CompuServe Inc.*, 47 U.S.P.Q.2D 1797, 1804 (S.D.N.Y. 1998).

44. *Id.* at 1805.

45. *Id.*

46. *Id.* at 1805–06.

47. *Id.* at 1806–07.

48. *Id.* at 1807–08.

functions as the permanent storage for the encoded information to be reproduced in the material object, and the reproduction unit is responsible for reproducing the information in the material object.⁴⁹

Furthermore, the court also held that claim 1 applied only to “pre-delivery” of information to an IMM, thus precluding the patent from covering so-called “real-time” downloading of information to an IMM.⁵⁰ In other words, the district court held that the Freeny patent applied only to situations where information is pre-stored at an IMM for later download and not to situations where consumers request that information for remote download from another source.

All of these claim interpretations were the subject of the appeal and the Federal Circuit ruled that the district court, in its “thorough and careful analysis of the Freeny patent and the relevant legal standards for claims construction[,]”⁵¹ had erred in the interpretation of each and every one of these claim limitations. Moreover, the Federal Circuit held that the claims of the Freeny patent do indeed cover the real-time transactions, again, rendering Judge Jones’s claims construction erroneous.⁵²

With regard to the construction of the “point of sale location” the Federal Circuit accepted the definition proffered by E-Data: “a location where a consumer goes to purchase material objects embodying predetermined or preselected information.”⁵³ The only limitation on the character of the point of sale location is the requirement of availability of one blank material object (e.g., a blank piece of media).⁵⁴ Under this definition, and contrary to the lower court’s analysis, the point of sale location is not limited to retail locations and, more importantly, encompasses a consumer’s home. The rationale for the court’s conclusion rests on the argument that “the specification does not preclude a home from serving as a point of sale location.”⁵⁵ Another argument refers to “a vending machine embodiment that could be utilized in a home[,]”⁵⁶ even though a home vending machine is hardly a familiar concept.

When it came to a “material object” the court held that this term

49. *Interactive Gift Express, Inc. v. CompuServe Inc.*, 47 U.S.P.Q.2D 1797, 1810 (S.D.N.Y. 1998).

50. *Id.* at 1809.

51. *Interactive Gift Express, Inc. v. CompuServe Inc.*, 256 F.3d 1323, 1330 (Fed. Cir. 2001).

52. *Id.* at 1342–44.

53. U.S. Patent No. 4,528,643, col. 5, ll. 47–50 (issued July 9, 1985).

54. *Interactive Gift Express*, 256 F.3d at 1334–35.

55. *Id.* at 1333–34.

56. *Id.* at 1334.

refers to “a tangible medium or device in which information can be embodied, fixed, or stored, other than temporarily, and from which the information embodied therein can be perceived, reproduced, used or otherwise communicated, either directly or with the aid of another machine or device.”⁵⁷ Additionally, the court found that material objects must be purchasable and offered for sale at point of sale locations, but not necessarily as blank media.⁵⁸ Although this definition unequivocally describes a hard drive, internal or external to a personal computer, the court excluded this particular type of media from the “material object” definition. The rationale for this conclusion rests on the argument that nowhere in the specification is it stated that a material object could be represented by a hard drive.⁵⁹ In support of this conclusion the court also asserted, “a consumer would not go to a point of sale location to purchase an internal hard disk embodying predetermined or preselected information.”⁶⁰

With respect to the term “information manufacturing machine,” the Federal Circuit disagreed with most of the district court’s findings. The district court’s interpretation of IMM to require at least four specific components disclosed in the specification and Figure 1 of the Freeny patent was rejected in favor of a functional definition of IMM.⁶¹ The Federal Circuit held that the functions performed by an IMM do not have to be performed by the particular components of the IMM.⁶²

With respect to the term “authorization code,” the Federal Circuit agreed with the interpretation provided by the plaintiff E-Data and disagreed with the district court. E-Data asserted that an authorization code is defined by the act of authorizing.⁶³ In contrast, the district court had stated that describing authorization code as any mechanism to provide authorization does not amount to a definition.⁶⁴

57. *Id.* at 1338.

58. *Id.*

59. The careful reader may be wondering at this point why, when it comes to a “point of sale location,” a lack of a reference to a home in the patent specification does not rule out such a location from the scope of the claim, while in the case of a “material object” no mention of a hard drive expressly precludes such a device from falling within the ambit of the defined term. The court did not offer an explanation for these seeming contradictions.

60. *Interactive Gift Express*, 256 F.3d at 1337.

61. *Interactive Gift Express, Inc. v. CompuServe Inc.*, 256 F.3d 1323, 1339–40 (Fed. Cir. 2001).

62. *See id.*

63. *Id.* at 1340.

64. *Interactive Gift Express, Inc. v. CompuServe Inc.*, 47 U.S.P.Q. 2D (BNA) 1797, 1804–05 (S.D.N.Y. 1998).

The Federal Circuit, however, seemed comfortable with a circular definition of a claim term and held that the “authorization code” need not provide decoding information, does not have to include an IMM code, and need not be transmitted electronically.⁶⁵

Finally, the Federal Circuit found that nothing in claim 1 limited the claim to non-real-time transactions.⁶⁶ This is important because the alleged activities in this case include selling documents or software “online,” i.e., over the Internet. The majority of online transactions are premised on real-time delivery of information. Consequently, the determination of the timing of information delivery covered by the Freeny invention may be crucial in view of the allegations of infringement.

III. ANALYSIS OF THE FEDERAL CIRCUIT DECISION

To be fair, the Federal Circuit did subject each disputed claim term to some analysis. For the most part, some homage was paid to the various canons of claims construction so as to give one the sense that the court was seeking to strike a careful balance between claim scope and reasonable notice to the public. Taken collectively, however, the court’s claims construction yields an unsettling result, because the claims no longer have meaningful boundaries. For example, according to the Federal Circuit: (i) the term “point of sale location” refers to any place where the consumer happens to be located, including that person’s home; (ii) the term “authorization code” means anything that authorizes copying; and (iii) there is no sequence or order to the steps recited in the claims.⁶⁷ Thus, as a practical matter, the number and kind of online transactions where information is provided from one computer to another that may fall within the ambit of the Freeny patent has been greatly expanded by the court’s claims construction ruling.

A. The Federal Circuit failed to consider the rule prescribing claims construction in favor of preserving validity

Perhaps one reason why the court’s ruling is so troubling is that it appears to have been made without regard to some fundamental principles of claims construction. For example, the Federal Circuit

65. *Interactive Gift Express*, 256 F.3d at 1341–42.

66. *See id.* at 1342–44.

67. Although not specifically discussed above, the district court had held that at least some of the steps recited in claim 1 had to be performed in a certain order in order to render meaning to the claim. The Federal Circuit disagreed and held that there was no required order for the steps to be performed. *Id.* at 1342–44.

has reiterated repeatedly that a term in a patent claim cannot be construed in such a way that the claim would read on products that were known or obvious prior to the date of the invention. In other words, a patent must not be construed to read on the "prior art."⁶⁸

Contrary to this well-established rule of claims construction, the analysis provided by the Federal Circuit failed to consider even the possibility that the broad construction articulated by Judge Linn may prove fatal to the validity of the Freeny patent. Although the question of validity was not addressed by the district court, and therefore was not technically reviewed on appeal, the defendants did raise the issue.⁶⁹ Nevertheless, the Federal Circuit seemed unconcerned (or perhaps unaware) that by affording such a broad construction of the patent claims, the Freeny patent is now in jeopardy of being found invalid in light of systems such as CompuServe's "Softex" software teledelivery system, and the LexisNexis research tools.⁷⁰

This failure to consider the downstream implications of a broad claims construction holding shows that it is not always the plaintiff that benefits from such a ruling. By removing the certainty from the narrow definitions afforded by the district court's ruling, the Federal Circuit may have unwittingly caused the plaintiff, E-Data, to incur significant expenses by having to now defend the Freeny patent against a much broader range of prior art than would have otherwise been the case. Of course for the defendants in the case, the broader claims construction may also mean increased costs in locating this "new" prior art, as well as having to develop "new" arguments for noninfringement.

B. Improper Treatment of Means Plus Function Language

A claim element may be expressed in terms of a function it performs.⁷¹ However, by claiming subject matter functionally, a patentee is generally precluded from expanding the scope of a claim beyond the embodiments found explicitly in the specification and

68. *Evans Med. Ltd. v. Am. Cyanamid Co.*, 11 F. Supp. 2d 338, 352 (S.D.N.Y. 1998), *aff'd*, 215 F.3d 1347 (Fed. Cir. 1999) ("It is a well-established rule of claim construction that claims should be interpreted, if possible, so as to preserve their validity. In this case, that rule impels the Court strongly toward a limiting interpretation of the claims . . .") *Id.* (citation omitted).

69. Defendant CompuServe's Brief on Claim Interpretation at 4-6, *Interactive Gift Express, Inc. v. CompuServe Inc.*, 47 U.S.P.Q.2D (BNA) 1797 (S.D.N.Y. 1998) (No. 95-6871), <http://www.patents.com/ige/csm.htm> (last visited Dec. 10, 2002).

70. *Id.* at 19-28.

71. *See* 35 U.S.C. § 112, para. 6 (1994).

equivalents thereof.⁷² Regardless of the context in which the interpretation of means-plus-function language arises, i.e., whether as part of a patentability determination in the USPTO or as part of a validity or infringement determination in court, means-plus-function language within a claim must be interpreted in light of the corresponding structure, material, or acts described in the specification and equivalents thereof, to the extent that the specification provides such disclosure.⁷³

The specification of the Freeny patent discloses the use of authorization code as a mechanism to decipher information stored in an IMM.⁷⁴ Therefore, one would assume that any interpretation of the term "authorization code" should be limited to the specific embodiments disclosed in the specification (and its equivalents). However, the definition adopted by the Federal Circuit does not appear to follow this guideline. Instead, the court has indicated that an authorization code is any code that authorizes copying (though how something can be defined in terms of its own function is not further explained), need not include an IMM code or be transmitted electronically (though this is the only embodiment disclosed in the specification), and is separate from a request reproduction code (apparently defining the term by indicating what it is not).⁷⁵

C. Admissions made during the foreign prosecution regarding the nature of the Freeny invention were not considered

It is a strict rule of patent law that the terms used in a patent claim cannot be construed in a manner that contradicts the construction utilized during patent prosecution. A patentee cannot gain through claims construction a meaning for a term that was conceded away during prosecution of the patent application.⁷⁶ However, this rule seems not to have been applied in the case of the Freeny patent.

Here, it is instructive to examine the prosecution histories of the foreign counterparts of the Freeny patent, in part because the U.S. prosecution history is very thin. In fact, it was a case of a first action

72. See *Symbol Techs., Inc. v. Opticon, Inc.*, 935 F.2d 1569, 1575 (Fed. Cir. 1991).

73. *In re Donaldson*, 16 F.3d 1189, 1193 (Fed. Cir. 1994).

74. U.S. Patent No. 4,528,643, col. 8, ll. 49–68; col. 9, ll. 1–8.

75. *Interactive Gift Express, Inc. v. CompuServe Inc.*, 256 F.3d 1323, 1341–42 (Fed. Cir. 2001).

76. *Elektta Instrument S.A. v. O.U.R. Scientific Int'l, Inc.*, 214 F.3d 1302, 1308; 54 U.S.P.Q.2D 1910, 1913 (Fed. Cir. 2000) ("Claims that have been narrowed in order to obtain issuance over the prior art cannot later be interpreted to cover that which was previously disclaimed during prosecution.")

allowance. Professor Bernard A. Galler of the University of Michigan suggested that the reason behind the USPTO's failure to identify the relevant prior art in the Freeny patent case is due to its search methodology. Professor Galler was able to identify several highly relevant references⁷⁷ in the Software Patent Institute database not by entering the terms from the Freeny patent itself, but rather, utilizing his computer science background.⁷⁸

During the prosecution of the Canadian counterpart patent application, Freeny made a crucial admission. In response to rejection based on the so-called Lightner reference, Freeny changed the wording of claim 1 to include the term "storing."⁷⁹ In explaining this amendment, Freeny stated:

It is felt that the claims as presently amended clearly define the invention as including the storing of all the information to be reproduced at the point of sale. This is significant, because in the present system, the information to be reproduced does not have to be transmitted each time over telephone lines which requires an excessive amount of time and which affects the quality of the reproduction.⁸⁰

It is undisputed that the Canadian patent and the U.S. patent specifications are identical. Therefore, the admission made during the Canadian prosecution precludes an assertion with respect to the US patent contrary to that admission. This is entirely consistent with the district court's finding that the Freeny patent teaches away from real-time delivery systems.⁸¹

Nevertheless, on appeal the Federal Circuit stated unequivocally that claim 1 was not limited to embodiments requiring predelivery or prestorage of the information to be reproduced and instead covers real-time transactions in which the requested information is downloaded at or prior to the time it is requested.⁸² This conclusion

77. *E.g.*, UNIVERSITY OF MICHIGAN TERMINAL SYSTEM, VOLUME 4: TERMINALS AND TAPES 25 (Richard A. Salisbury ed., 1974).

78. Bernard A. Galler, *Some Interesting Examples of Prior Art for Software-Related Patents from Older Non-Patent Literature* (June 16, 1997), at <http://www.patents.com/ige/galler.htm> (last visited Dec. 14, 2002).

79. Defendant CompuServe's Brief on Claim Interpretation 35-37, *Interactive Gift Express, Inc. v. CompuServe Inc.*, 47 U.S.P.Q.2D (BNA) 1797 (S.D.N.Y. 1998) (No. 95-6871), available at <http://www.patents.com/ige/csm.htm> (quoting March 19, 1987 Amendment B2) (emphasis added).

80. *Id.*

81. *Interactive Gift Express, Inc. v. CompuServe Inc.*, 47 U.S.P.Q.2D (BNA) 1797, 1803 (S.D.N.Y. 1998).

82. *Interactive Gift Express, Inc. v. CompuServe Inc.*, 256 F.3d 1323, 1342-44 (Fed. Cir.

ignores the very real admission that Freeny made during prosecution. Furthermore, it implicates a much broader array of potentially infringing conduct when one considers the manner in which Internet transactions are carried out. Rarely, if ever, do e-commerce transactions involve items that are already stored on a storage medium (exceptions may be the case where trial versions of software titles are subsequently purchased). Instead, such transactions usually involve being granted access to the desired content only after a payment is verified. The district court's original claims construction interpretation would have all but insulated these latter forms of transactions, which are now made vulnerable by the Federal Circuit's holding.

D. The Federal Circuit Invents a New Definition of "Plurality"

One of the more humorous outcomes of the Federal Circuit's holding is that a "plurality" of objects can now be regarded as just a single object. The district court construed the "point of sale location" limitation to require that such a location be defined by having at least two blank material objects, based on the definition provided in the specification: "each point of sale location has . . . a plurality of blank material objects."⁸³ Nonetheless, the Federal Circuit managed to overcome this limitation by simply redefining "plurality." According to the court, a plurality, as used in the Freeny specification, refers to a "supply" of blank material objects, and since a supply of objects can consist of just one of them, a plurality must mean just one.⁸⁴

This example, perhaps better than any other, shows how *de novo* review of claims construction rulings can lead to truly bizarre results that foster uncertainty. In its haste to not unduly restrict the scope of the Freeny patent claims, the Federal Circuit has taken to standing the definition of what surely is a well-understood term (plurality) on its head. A plurality is, by the very definition of the word, more than one. Yet, the court has found a way to make the term mean just a single object. With results such as this, it is perhaps not difficult to understand why litigants are unwilling to admit defeat in patent cases until the matter has been "re-tried" in the Federal Circuit.

2001).

83. See *Interactive Gift Express*, 47 U.S.P.Q.2D (BNA) at 1805 (citing U.S. Patent No. 4,528,643, col. 12, ll. 66-68).

84. *Interactive Gift Express*, 256 F.3d at 1335.

E. The Federal Circuit Disregards the Doctrine of Dedication and Rewrites the Claim

It is beyond doubt that, under no circumstances is a court authorized to redraft a claim of a patent.⁸⁵ In other words, the court must confine itself to the claim language written, even if that language yields nonsensical results. As indicated above, the Federal Circuit rejected the district court's determination that the Freeny patent does not support the idea of real-time delivery of information. However, it did so via a rather circuitous route, by interpreting claim 1 to match an embodiment disclosed in the written description.⁸⁶

Arguably, claim 1 of the Freeny patent is drafted in such a way that it does not read on one of the embodiments disclosed in the patent's specification. That is, if one reads the claim as reciting steps in temporal order (as the district court did),⁸⁷ an embodiment disclosed in the specification would be omitted from the scope of the claim. In other cases this has not troubled the court; indeed the doctrine of dedication was articulated as early as in the 1880s, stating that a matter disclosed in the specification but not claimed is dedicated to the public.⁸⁸ This principle has been reiterated many times, as recently as March 2002.⁸⁹ Thus, careless claim drafting and a failure to claim all embodiments disclosed in the specification may result in disclaiming some of the otherwise patentable subject matter.⁹⁰

The district court seemed to find that this was precisely the situation in the present case. According to the lower court's decision, claim 1 was drafted in such a way that it did not read on the real-time delivery embodiment described in the specification.⁹¹ The Federal Circuit, however, saw things differently. Reasoning that a finding of dedication would be contrary to the idea that a claim should always be found to read on a "preferred" embodiment, the court held that claim

85. *Autogiro Co. of Am. v. United States*, 384 F.2d 391, 396 (Ct. Cl. 1967) ("No matter how great the temptations of fairness or policy making, courts do not rework claims.").

86. *Interactive Gift Express*, 256 F.3d at 1343-44.

87. *Interactive Gift Express*, 47 U.S.P.Q.2D (BNA) at 1802-04.

88. *Miller v. Brass Co.*, 104 U.S. 350, 352 (1881).

89. *See Johnson & Johnston Assocs. Inc. v. R.E. Serv. Co.*, 285 F.3d 1046, 1053 (Fed. Cir. 2002).

90. *Miller*, 104 U.S. at 352 ("But it must be remembered that the claim of a specific device or combination, and an omission to claim other devices or combinations apparent on the face of the patent, are, in law, a dedication to the public of that which is not claimed.").

91. *Interactive Gift Express*, 47 U.S.P.Q.2D (BNA) at 1802-04.

I did not specify any temporal order to its steps.⁹² In other words, the recitation of the steps provided in the claim was meaningless and in fact parts of these steps should be read as being performed not only out of order with respect to other steps, but also with respect to other parts of the same step in order to fit the claim to the procedure described in the specification.

Claim 1 then was “rewritten” by the Federal Circuit in order to make the claim consistent with the patent disclosure. By doing so, the court broadened the scope of claim 1, relying on the argument that otherwise the claim does not read on one of the embodiments of the specification.⁹³ However, it is the claim that determines the scope of the invention, not the written description that determines the scope of the claim.⁹⁴ It is troubling that a court specializing in patent related matters would make an error of such magnitude.

IV. CONCLUSION

This ruling by the Federal Circuit in this case demonstrates the uncertainties presented by *de novo* review of lower court holdings in matters of claims construction. The court’s apparent willingness to embark on what some would consider speculative and convoluted readings of the claim language and the specification in an effort to achieve a result so inconsistent with the district court’s findings shows that no party (or even a non-party) can be certain of its position in litigation until claims construction matters have been heard at least twice in any proceeding. As a result, this can only increase the cost of litigation and stand as an impediment to the early resolution of disputes.

Finally, it is ironic that the broad reading of the Freeny patent articulated by the Federal Circuit suggests that even Dr. Freeny, an individual who neither owns nor has a license to practice his own invention, has been willfully infringing the patent for years by using the Internet to download information for a fee.⁹⁵ More ironic still, the USPTO itself is most likely a willful infringer of the very patent it issued since the office’s On-line Shopping system allows users to

92. *Interactive Gift Express, Inc. v. CompuServe Inc.*, 256 F.3d 1323, 1342–44 (Fed. Cir. 2001).

93. *Id.* at 1344.

94. *Atl. Thermoplastics Co. v. Faytex Corp.*, 974 F.2d 1299, 1300 (Fed. Cir. 1992) (“The claims alone define the patent right.”).

95. Defendants’ Broderbund/Intuit Markman Brief note 1, *Interactive Gift Express, Inc. v. CompuServe Inc.*, 47 U.S.P.Q.2D (BNA) 1797 (S.D.N.Y. 1998) (No. 95-6871), <http://www.patents.com/ige/brm.htm>.

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