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RECENT DEVELOPMENTS IN CLAIM CONSTRUCTION

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Claim construction continues as the bedrock providing essential foundation to the two principal considerations in every litigation/contested matter involving U.S. patents: the infringement and the validity of the claims in issue. Claim construction is also part and parcel of every USPTO proceeding under its “broadest reasonable construction in view of the specification to one of ordinary skill in the art,” claim construction rubric, particularly in the new USPTO post grant IPR/PGR/CBMR procedures, where the petitioner is required to provide (at least a limited) claim construction as part of its petition seeking PTAB review. *See* 37 C.F.R. § 42.104(b).

Yet again, the latest jurisprudence of the United States Court of Appeals for the Federal Circuit (“Federal Circuit”) and its overseeing court, the United States Supreme Court has, while - possibly surprisingly - maintaining the *Phillips v. AWH Corp.*, 415 F.3d 1303, 1312 (Fed. Cir. 2005) (*en banc*), over-arching methodology intact (even insofar as the PTAB is usually concerned), has made major and minor changes and classifications in the rules of the road.¹

I. GENERAL CONSTRUCTION

Takhistova et al. published a helpful digest of *Cardsoft, LLC v. VeriFone*, 769 F.3d 1114 (Fed. Cir. 2015), to wit:

In a previous appeal in this case, the Federal Circuit reversed the trial court’s construction of a disputed claim term and the infringement verdict based on that construction. The Supreme Court vacated and remanded after deciding *Teva Pharm. USA, Inc. v. Sandoz, Inc.*, 135 S. Ct. 831 (2015), which held that factual findings of a trial court underlying claim construction are owed deference on appeal. The Federal Circuit again reversed the trial court’s claim construction and granted defendants judgment of no infringement as a matter of law.

- **Claim construction--standard of review:** Because the trial court did not make any factual findings based on extrinsic evidence, the Federal Circuit reviews the trial court’s claim construction *de novo*.
- **Claim construction:** A claim term is properly construed “in the context of the entire patent,” including its specification and prosecution history. The trial court construed “virtual machine” to mean “a computer programmed to emulate a hypothetical computer for applications relating to transport of data.” This construction is correct but incomplete, because it improperly conflates the claimed virtual machine with applications that run on the machine. **The trial court erroneously rejected the requirement that the machine run applications that process instructions independently of any specific underlying operating system or hardware, a limitation advanced by the defendants and supported by the patent specification and prosecution history.**

¹ USITC, District Court and PTAB materials, not otherwise attributed, were physically sourced / excerpted from Author - reviewed *Docket Report* daily published documents, in accordance with License and Permitted Uses for Docket Report, <http://home.docketnavigator.com/terms-of-use> (5/22/13 rev.).

- **Claim construction--claim differentiation:** Where the ordinary meaning of a term is clear in light of the specification and prosecution history, the presumption of claim differentiation cannot change its meaning.
- **Waiver:** By failing to respond to defendants' argument that they do not infringe as a matter of law under their proposed claim construction, the patentee conceded that the accused devices do not infringe under the correct construction. As a result, the Federal Circuit granted JMOL of no infringement to defendants.

Takhistova et al., "Federal Circuit Reverses Claim Construction Rulings On Remand Following *Teva*," Lexology, <http://www.lexology.com/library> (12/2/15).

The *Cardsoft, LLC* Court reiterated its view that under *Teva*, "it is not enough that the trial court may have heard extrinsic evidence during a claim construction proceeding--rather, the trial court must have actually made a factual finding in order to trigger *Teva*'s deferential review." In this case, the trial court made no factual findings based on the extrinsic evidence. Accordingly, the trial court's decision was subject to *de novo* review.

Further, the Court rejected the patentee's argument that reliance on precedent defining a "virtual machine" was extrinsic evidence contradicting the trial court's factual findings. Although the Court's previous opinion had imprecisely referred to its prior precedents as "extrinsic evidence," reliance on precedents is not improper when those precedents are consistent with the intrinsic record. Here, the precedents were entirely consistent with the intrinsic record's meaning of a "virtual machine." The Court then held that patentee waived any arguments that the alleged infringer infringed under the correct construction of that term: "VeriFone contend[ed] that, applying the correct construction, it [was] entitled to judgment of no infringement as a matter of law." **The Court noted that "CardSoft did not respond to this argument...It instead argued that '[b]ecause [VeriFone's] construction of "virtual machine" is wrong' the jury's verdict should be affirmed."** Citing *SmithKline Beecham Corp. v. Apotex Corp.*, the Court stated that "[a]rguments that are not appropriately developed in a party's briefing may be deemed waived." As a result, the Court held that, "[b]y failing to respond to VeriFone's argument in the briefing, Cardsoft has effectively conceded that the accused devices [infringe]. **Consequently, we find that Cardsoft has waived this argument, and we grant Appellants judgment of no infringement as a matter of law.**"

Winston & Strawn "*Cardsoft LLC v. VeriFone, Inc.*" Lexology, <http://www.lexology.com/library> (1/14/16); Farley, "*Cardsoft LLC v. VeriFone, Inc.*," Lexology, <http://www.lexology.com/library> (1/20/16).

1. **What Must Be Construed.**

Only those terms / limitations that are in controversy need to be construed, and then only to the extent necessary to resolve the controversy, *Vivid Techs, Inc. v. Am. Sci & Eng'g, Inc.*, 200 F.3d 795, 803 (Fed. Cir. 1999), cited in *Sophos Ltd. et al. v. Forttract, Inc.* 1PR 2015-00911, (PTAB 8/24/15) (Decision denying institution, Paper 8).

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