

A New Wrinkle In The Fabric Of Claim Construction

Friday, Jun 27, 2008 --- In *O2 Micro International Ltd. v. Beyond Innovation Technology Co., et al.*, the Federal Circuit held that when “the parties present a fundamental dispute regarding the scope of a claim term, it is the court’s duty to resolve it.” 521 F.3d 1351, 1362 (Fed. Cir. 2008).

This holding raises a host of questions, the answers to which may significantly impact the claim construction process and patent litigation strategy in general. This article explores important questions arising from *O2 Micro* for consideration by practitioners and district court judges.

Which disputes over the scope of a claim term must the courts resolve?

In addition to adopting the phrase “fundamental dispute,” the Federal Circuit also cited its en banc decision in *Markman* for the proposition that “when the parties raise an actual dispute regarding the proper scope of these claims,” the court, not the jury, must resolve the dispute. *Id.* at 1360.

The Federal Circuit did not explicitly describe what it meant by a “fundamental dispute” or an “actual dispute,” but the most logical answer is that a claim construction dispute that has an effect on the outcome of the case is a fundamental dispute and that a dispute is actual only if it is fundamental.

The Federal Circuit, for example, reiterated that claim construction “is a matter of resolution of disputed meanings and technical scope, to clarify and when necessary to explain what the patentee covered by the claims, for use in the determination of infringement.” *Id.* at 1362 (citation omitted).

Thus, a dispute over claim construction that affects whether a claim applies literally or under the doctrine of equivalents or whether a claim is invalid or unenforceable is a fundamental dispute that the court must resolve, if asked.

How is a district court to determine if there is a fundamental dispute?

One of the more difficult practical questions for the district court is how to determine if a fundamental dispute exists over the scope of a claim term. Short of simply relying on a party’s assertion that a construction is needed, the court must make a determination of some kind that the dispute is indeed fundamental.

At a minimum, *O2 Micro* should elevate the importance in many cases of including the accused product in the claim construction process in order to determine if a construction will affect the outcome of the case for purposes of

infringement. However, under this same logic a district court may also need to examine the parties' positions on invalidity or other potential defenses.

But this still begs the question, how is a district court to determine the parties' positions on the merits at the time of claim construction?

The inevitable concern by a district court will be that while a party may say there is some fundamental dispute, the dispute might well turn out to be minimal or even non-existent. What if the dispute "may" affect the outcome, but will not if some other issue is resolved first?

Similarly, what if one party says there is a fundamental dispute and the other party says that there is not? Such situations are common in patent litigation, especially where claim construction occurs early in discovery and the parties are concerned about preserving claims and defenses.

One possible result of O2 Micro may be that district courts push Markman hearings off until later in the case, thereby allowing more time for the parties to establish their positions and identify key disputes.

This is especially so in technologically complex cases or cases involving multiple patents and dozens or even hundreds of claims. Otherwise, district courts may be forced to choose between not construing a term—risking it ending up in dispute at trial—and using limited resources to construe a large number of terms, many of which may end up not having an effect on the litigation.

What must a party do to show that there is a fundamental dispute?

A variety of options are available to demonstrate a fundamental dispute. A party wanting to show that a fundamental dispute exists for purposes of infringement, for example, could introduce some evidence of the accused product.

This is already a relatively common practice after the Federal Circuit's decision in *Wilson Sporting Goods Co. v. Hillerich & Bradsby Co.*, 442 F.3d 1322, 1326-27 (Fed. Cir. 2006). So, at minimum, O2 Micro should only increase references to the accused product during claim construction.

The trickier question is whether a party should or needs to do more than just introduce evidence of the accused product. For example, in cases involving complicated technology, should a party introduce expert testimony or is attorney argument sufficient?

The same questions exist for invalidity positions. Is it enough for a party to introduce its invalidity arguments for purposes of showing an actual dispute over a particular claim construction, or must the party do more, such as offering expert testimony explaining how claim construction impacts the invalidity defense?

At the same time, is there a risk that introducing too much evidence—whether for infringement or invalidity purposes—could, at some point, become prejudicial to one of the parties and somehow infect the claim construction process with reversible error?

One thing that is relatively clear is that if the parties are required to present arguments or evidence on the merits at the claim construction phase, the Kabuki dance of discovery and disclosures under the local patent rules will be affected.

Each party will have additional incentives to cast claim construction issues in a manner that locks the other party into a position on the merits down the road.

Do courts have a duty to construe the “meaning” of a claim term as well as the “scope”?

Perhaps the most glaring issue after O2 Micro concerns what the Federal Circuit meant by “meaning” and “scope” of a claim term. The district court in O2 Micro declined to construe the disputed term—“only if”—because, in its view, the term had a plain meaning.

In reversing the district court, the Federal Circuit explained that “the district court failed to resolve the parties’ dispute because the parties disputed not the meaning of the words themselves, but the scope that should be encompassed by this claim language.” 521 F.3d at 1361 (underline in original).

So, what does it mean to dispute the scope of a claim term but not the meaning? Similarly, in what circumstances is there a dispute as to meaning but not scope?

The only guidance provided in O2 Micro is that even though a term may have an ordinary meaning, its scope may still be disputed if (1) there is more than one ordinary meaning or (2) “when reliance on a term’s ‘ordinary meaning’ does not resolve the parties’ dispute.” *Id.*

There is a reasonable argument that this is an artificial distinction between meaning and scope. For example, if a term has multiple ordinary meanings, isn’t a determination as to the correct ordinary meaning a determination of the term’s meaning in the context of the particular claim?

Similarly, if reliance on a term’s ordinary meaning does not resolve the dispute, does that imply that at least one of the parties is arguing for a meaning other than the ordinary meaning?

On the other hand, one could argue that “meaning” concerns the particular meaning of words and phrases in a claim, whereas “scope” refers to a more holistic interpretation of phrases, or even the claim, as a whole.

Assuming there is a difference between the meaning and scope of a claim term, the next question is whether, in future cases, a district court is now required to resolve actual disputes as to the meaning of a claim term, in addition to actual disputes over scope. The answer to this question is most certainly “yes.”

In fact, although O2 Micro only explicitly addressed the issue of scope, the Federal Circuit’s concern was that “the parties’ arguments regarding the meaning and legal significance of the ‘only if’ limitation were improperly submitted to the jury.” *Id.* at 1362 (emphases added).

When must a fundamental dispute over a claim term be brought to the attention of the district court?

The question that might cause litigators the most anxiety is whether a party’s failure to identify a fundamental dispute at the Markman hearing (or other court-ordered deadline) will result in waiver of the claim construction argument.

In such a situation, a party might raise a claim construction issue at the appropriate time but fail to show it presents a fundamental dispute. If the district court then declines to construe the term, is the claim construction argument now waived? If it subsequently turns out that a fundamental dispute does exist, does that matter for purposes of waiver?

If the answer is that the argument is waived, then O2 Micro greatly heightens the importance of early and vigorous discovery on all fronts of the case. This is especially true in jurisdictions that already put initial default limits on the number of terms subject to construction by the court.

How, if at all, will O2 Micro affect local rules limiting the number of terms subject to construction by the court?

Another important question concerns how O2 Micro might affect district courts with local rules or practices that put a limit on the number of claim terms the court will construe. The Northern District of California, for example, recently enacted a local rule with a default limit of 10 terms for construction. Judges in other jurisdictions are also known for imposing their own limitations.

As an initial matter, provided that district courts retain discretion to construe as many terms as the judge determines to be necessary in a particular case, there is nothing in these rules and practices that is necessarily inconsistent with O2 Micro. The Northern District of California, for example, gives judges discretion to construe additional terms.

That said, O2 Micro might pose some challenges for litigants in these jurisdictions. Litigants will need to decide—often early in the case—if they should request constructions of terms in excess of the default limit. In order to succeed with such a request, however, the litigant will likely need to show

that the additional terms relate to a fundamental dispute.

This will make it all the more important to conduct vigorous discovery and analysis early in the case and to identify all of the claim construction issues important to the prosecution or defense of the case. In addition, district courts in these jurisdictions will have their own problems. Especially in complex cases, it may take the court just as long to figure out if a dispute is actual as it would to construe the additional terms.

In conclusion, while the Federal Circuit in *O2 Micro* preserves the rule that “district courts are not (and should not be) required to construe every limitation present in a patent’s asserted claims,” *id.* at 1362, the court opened the door to the distinct possibility that the number of claim terms that will need to be construed if one party disputes the other’s construction has significantly expanded.

By opening this door, the Federal Circuit has given litigants and district courts yet another area within the claim construction process with which to wrestle.

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