

INVALID LIKE OIL AND WATER: US DECISION PLACES MIXED CLAIMS IN JEOPARDY

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Most patent professionals learn early on that a well-drafted claim cannot combine two statutory classes or claim forms, just as oil and water cannot mix (at least without an emulsifier). For example, few patent attorneys would draft a claim with an apparatus-type preamble, followed by a sequence of method steps, knowing that such a claim would face certain rejection in patent office proceedings in most jurisdictions, or later invalidation by a court. However, when an apparatus claim includes functional language implicitly because of subtle choices in sentence structure, practitioners may be surprised when a court holds the claim invalid. That was the case in a recent decision of the US Court of Appeals for the Federal Circuit (“Federal Circuit”), *IPXL Holdings, LLC v. Amazon.com, Inc.*, Nos. 05-1009, 05-1487 (November 21, 2005).¹

The Decision

IPXL, a patent holding company, sued Amazon.com for infringement of US Pat. No. 6,149,055, “Electronic Fund Transfer or Transaction System,” in the US District Court for the Eastern District of Virginia.² IPXL asserted that Amazon’s “one click” system for performing Internet e-commerce transactions infringed five claims of the patent. Amazon’s adventures in obtaining and enforcing its own US patent covering the “one click” system are well known, but this time Amazon found the tables turned. However, Brinkema J of the District Court gave summary judgment of non-infringement to Amazon on all claims, held all claims invalid, and awarded attorneys fees to Amazon.

¹ Full text available online at <http://fedcir.gov/opinions/05-1009.pdf>.

² Amazon is headquartered in Seattle, Washington, but the Eastern District of Virginia traditionally has implemented fast-track litigation procedures intended to rapidly move cases to trial, and is often selected by parties who desire a fast result.

Although IPXL appealed all the holdings, the issue pertinent to this article is the District Court's decision that Claim 25 was invalid under Section 112, second paragraph of the US patent statutes (35 U.S.C. §112). That section requires a valid claim to "particularly point out and distinctly claim the subject matter which the applicant regards as his invention." Informally, a claim invalid under this section is termed "indefinite." IPXL's Claim 25 recited:

25. The system of claim 2 [including an input means] wherein the predicted transaction information comprises both a transaction type and transaction parameters associated with that transaction type, and *the user uses the input means* to either change the predicted transaction information or accept the displayed transaction type and transaction parameters.

(Slip op. at 13) (emphasis added by the court). The Federal Circuit devoted just two pages of its opinion to affirming the District Court's judgment of indefiniteness, and as this article explores below, this brief holding of the Federal Circuit leaves open more questions than it answers.

The Federal Circuit admitted that "the core issue, whether a single claim covering both an apparatus and a method of use of that apparatus is invalid," was an issue of first impression, and apparently found little authority from district courts or administrative appeal decisions to support its resolution of the issue. The Federal Circuit noted with approval that in *Ex Parte Lyell*, a 1990 appeal from a final rejection of an applicant's claims, the USPTO's Board of Patent Appeals and Interferences held that a claim reciting both an apparatus and a method of using the apparatus renders a claim indefinite under section 112, second paragraph, and that "the statutory class of invention is important in determining patentability and infringement."

The reason, according to the Federal Circuit, is public notice to potential infringers: "... as a result of the combination of two separate statutory classes of invention, a manufacturer or seller of the claimed apparatus would not know from the claim whether it might also be liable for contributory infringement because a buyer or user of the apparatus later performs the claimed method of using the apparatus ... such a claim 'is not sufficiently

precise to provide competitors with an accurate determination of the “metes and bounds” of protection involved’ and is ‘ambiguous and properly rejected.’” *IPXL*, *supra*, slip op. at 12 (quoting *Lyell*). (A cynic could reply that the vagaries of the Federal Circuit’s jurisprudence on the Doctrine of Equivalence completely undercut the “public notice” function of claims and render that rationale of *Lyell* meaningless, but that is a debate for another day.)

The Federal Circuit termed the rule against mixing claim types as “well established,” citing short statements in the USPTO’s Manual of Patent Examining Practice and the well-known treatise “Landis on Mechanics of Patent Claim Drafting.” The Federal Circuit then reviewed the specific language of Claim 25 above and found that “... it is unclear whether infringement of claim 25 occurs when one creates a system that allows the user to change the predicted transaction information or accept the displayed transaction, or whether infringement occurs when the user actually uses the input means to change transaction information or uses the input means to accept a displayed transaction.” Therefore, the court reasoned, “claim 25 recites both a system and the method for using that system ... it does not apprise a person of ordinary skill in the art of its scope, and it is invalid ...”

The Impact for Practitioners

The preceding discussion is essentially everything the Federal Circuit said on the issue. Because the decision is exceedingly brief, but the number of issued or pending claims akin to Claim 25 could be large, US patent counsel have been scrambling to review dozens of computer-related patent claims for potential invalidity under the *Lyell* “public notice” rationale of indefiniteness. While the *Lyell* rule has existed for years, until *IPXL* it is fair to say that most practitioners have not considered whether certain implicitly functional claim language could transform an apparatus claim into one that improperly mixes statutory claim categories. Nevertheless, a proper evaluation of *IPXL* must recognize that Claim 25 of the *IPXL* patent potentially implicated two *entirely different parties* in infringement. As the Federal Circuit noted, either a manufacturer of a system or a user taking action with the

system could be involved in infringement of different parts of the claim.³ This key fact should limit the impact of *IPXL*.

A perhaps frustrating aspect of the *IPXL* decision is that, the Federal Circuit did not provide more guidance on what other kinds of claims might be invalid for indefiniteness under the *Lyell* rationale. Principles of judicial conservatism did not require the Federal Circuit to give such guidance, so patent counsel will need to study the issue independently. The Federal Circuit also did not expressly limit the decision to its facts. Thus, the key issue left open by *IPXL* is what other forms of claims might be invalid for indefiniteness because they mix statutory classes.

For example, US practitioners are accustomed to drafting and prosecuting claims of the “computer program product” form allowed under the Federal Circuit’s decision in *In re Beauregard* and the USPTO’s subsequent examining guidelines relating to such claims. A *Beauregard* claim typically recites a computer-readable medium carrying recorded sequences of instructions which, when executed by a processor, cause the processor to perform a series of steps. Are such claims now invalid under *IPXL*? As hundreds of such claims have issued, and thousands more are probably pending, the question is significant.

Probably not. The Federal Circuit relied, in part, on a summary recitation of the *Lyell* rule in the USPTO’s Manual of Patent Examining Procedure, section 2173.05(p)(II) (1999). After *Beauregard*, the USPTO revised the MPEP after the *Beauregard* decision to expressly allow computer program product claims, but did not also revise 2173.05. Therefore, a fair inference is that the USPTO considers computer product claims not indefinite under *Lyell*, and therefore *IPXL* does not impact such claims.

Further, the key issue of public notice in *IPXL* arguably is not present for computer program product claims. An accused infringer can readily determine whether it is manufacturing a computer program product that contains the recited sequences of

³ Claims in a single statutory form that require two unrelated parties to make, use or sell different elements or limitations of the claim can create other kinds of “divided infringement” problems. See M. Lemley et al., “Divided Infringement Claims, 33 AIPLA Quarterly J 255 (2005).

instructions, because executing the program product as part of R&D and testing is an inherent manufacturing activity.

However, other forms of claims are now immediately suspect. Principally, any apparatus-type claim or system claim that also implicitly recites a functional step must be re-evaluated in light of *IPXL*. (*IPXL* did not involve a product-by-process claim, which appear to be exempt from its holding.) When practitioners identify such claims in a pending application, the claims can be canceled, but many will be capable of amendment to preserve apparatus form but to recite structure that performs the equivalent function. For example, *IPXL* claim 25 could have been drafted as:

25. The system of claim 2 [including an input means] wherein the predicted transaction information comprises both a transaction type and transaction parameters associated with that transaction type, *and wherein the input means comprises means for receiving user input defining either a change to the predicted transaction information or user input accepting the displayed transaction type and transaction parameters.*

In this version, means-plus-function format is adopted to recite the user actions only indirectly. Of course, counsel must also consider whether the amended claim has proper support in the specification.

The alert practitioner must also consider whether an apparatus claim indirectly or implicitly recites a function or step even when the term “step,” or gerund verb forms are not explicitly used. For example, consider the following claim:

1. A computer apparatus, comprising:
a processor;
a memory coupled to the processor;
an input interface; and
logic in the input interface, wherein the logic is configured to generate an alert signal
when a user provides input that exceeds a defined range.

Here, the “wherein” clause indirectly recites a user action. All apparatus or system claims that recite an action, whether performed by a user or machine, whether a step, “ing” verb form, etc., are used, should be reviewed for issues under *IPXL*.

Another alternative for remediation is to convert the claim to purely method form. In the preceding example, the claim could recite that the logic “is configured to generate an alert signal in response to data that indicates a user input has exceeded a defined range.” In some cases, such a change may trigger a rejection for lack of statutory subject matter.

Further, while *IPXL* addressed a claim directed to a system, could method claims that contain apparatus limitations also be held indefinite in a future case?⁴ Consider the following two claims:

2. A method, comprising the steps of receiving a user input, transforming the user input into displayable data, and providing the displayable data to a display unit.
3. The method of claim 2, wherein the display unit is an LCD flat panel display.

A literal application of *IPXL* to Claim 3 above might find that Claim 3 has introduced the same kind of ambiguity found improper in *IPXL*. That is, under *IPXL*, a potential competitor allegedly cannot determine if it infringes by manufacturing an apparatus that includes an LCD flat panel display, or by creating a system that can perform the steps of Claim 2. However, this writer believes that conclusion is erroneous. With a plain reading of Claim 3, a competitor could determine that the claim requires both, and could easily determine whether both are present. Therefore, a proper interpretation of *IPXL* will limit the decision to its particular facts, in which the claim recited both a system, necessarily made by a manufacturer, and explicit user action, necessarily performed by an entirely different party. Only claims that *implicate two entirely different parties as potential infringers* should be considered problematic under *IPXL*.

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⁴ Another commentator has suggested that the following claim forms could be invalid: “A system for performing the method of claim 1”; “A system comprising X and Y, wherein X operates at a high rate of speed.” D. Crouch, Patent Cases 2005 (online blog, November 21, 2005).