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Claim Limitation: Confronting the Tension Between Limiting Claims in Complex Patent Litigation and Preserving a Patentee's Property and Due Process Rights

By David G. Chang

As patent litigation becomes more complex, judges are faced with the difficult task of managing lawsuits that involve dozens of patents, with hundreds, if not thousands, of separate patent claims. For instance, when a patentee sues multiple defendants in different jurisdictions on a group of patents asserting the same core technology, such cases are frequently consolidated through the multidistrict litigation process. It has become common practice for district court judges in these cases to mandate that patentees select a limited number of representative patent claims to litigate. Should the case then be adjudicated on the merits, courts will often hold that the substantive findings have preclusive effect on *all* non-representative claims. Thus, in a case involving 1,000 patent claims, as few as 25 may actually be tried on their merits, with the findings having preclusive effects on the remaining 975 claims.

While judges understandably limit cases in this fashion for reasons of administrability, it is a basic and well-known proposition that each patent claim is a right in property. The courts' practice may therefore jeopardize

patentees' constitutional right to secure the just, speedy, and inexpensive determination of every action.

Courts have addressed this tension between overcoming administrability barriers of large complex patent cases and protecting the constitutional rights of patent property in various ways. However, neither the Federal Circuit nor the US Supreme Court has ever directly resolved this dilemma. Were they to interpret patent property rights strictly, courts could easily be overwhelmed with endless litigation, and patentees would have a strategic advantage in obtaining favorable settlements. On the other hand, were the courts to hold in favor of administrability, this would strain the traditional iron-clad concept of patent claims as property.

Katz Litigation and Substantial Overlap in Patent Claim Language

Modern patentees have become sophisticated at prosecuting patent applications to effectuate a very large number of patent claims from one invention. A prototypical example is the group of 31 patents obtained by billionaire inventor Ronald A. Katz, which all derive, in whole or in part, from a single patent application. The patents all teach various aspects of the same core technology, so-called interactive voice response or IVR.¹

While it is not unusual for entities to prosecute multiple patents arising out of the same core invention

David G. Chang is an associate in the Los Angeles office of Hogan & Hartson LLP. His practice focuses on intellectual property, with an emphasis in patent litigation. He has significant experience across a wide range of industries including satellite technology, interactive voice recognition, medical devices, video games, and Korean network television. He may be contacted at dgchang@hhlaw.com.

or technology, the similarity of the claims in these 31 patents is striking. The Katz prosecutors used slightly different language to create minute differences in claim coverage. For instance, Claim 125 of US Patent No. 5,684,863 (the ‘863 patent) reads, in part:

record structure, including memory and control means, said record structure connected to receive said caller data signals from said interface structure for accessing a file relating to said individual callers including said individual callers’ credit card numbers provided from said digital input means through said interface structure . . .

Claim 1 of US Patent No. 5,898,762 (the ‘762 patent) reads, in part:

record structure, including memory and control means, connected to receive said caller data signals from said interface structure for accessing a file *and storing digital caller data* relating to said individual callers including said individual callers’ credit card numbers provided from said digital input means through said interface structure . . .

The italicized portion of Claim 1 is the only difference between that and the cited portion of the ‘863 patent, Claim 125.² Claim 1 of the ‘762 patent incorporates the phrase “and storing digital caller data” to language that is otherwise virtually identical to the cited ‘863 patent claim.

The Katz prosecutors used this strategy within the same patent as well. For instance, US Patent No. 6,335,965 (the ‘965 patent) reads, in part:

Claim 59:

generating with a computer and providing acknowledgement numbers to said individual callers to identify transactions to the individual callers and the system;

Claim 34:

providing computer generated acknowledgement numbers to said individual callers to identify transactions to the individual callers and the system.

Between 2005 and 2007, Ronald A. Katz Technology Licensing, L.P., (Katz) sued nearly 200 defendants in more than 30 separate cases for patent infringement based on their IVR invention. Eventually, 26 of those

cases against 165 defendants were consolidated via multidistrict litigation before Judge R. Gary Klausner in the Central District of California.³ All told, Katz sued for infringement of 31 patents, which contained 1,975 claims.

Even prior to consolidation, defendants in these cases immediately began pressing courts to limit the number of claims that would be construed and tried. In *Ronald A. Katz Technology Licensing, L.P. v. Citibank*,⁴ filed in the Eastern District of Texas, Katz asserted infringement of more than 800 claims of 22 patents. Judge David G. Fulsom noted that “the matter puts two legitimate interests at odds—a patentee’s fundamental patent rights and the Court’s discretion to manage its dockets.”⁵ He further noted that “the potential jury confusion in a patent case increases exponentially with the number of claims asserted” and that “when the number of claims asserted is so voluminous, litigation becomes extremely burdensome on both the parties and the Court.”⁶

Ultimately, the court limited Katz’s allegations to 18 representative patent claims.⁷ Remarkably, Judge Fulsom himself acknowledged the “Court finds this procedure, *while infringing on patentee’s rights*, is within its discretion and necessary to manage such cases.”⁸ One can only surmise that the court was referring to the patentee’s property rights arising from its patent claims.

Similarly, fellow Eastern District of Texas Judge Ronald H. Clark, after consolidating 15 separate Katz lawsuits filed in the Lufkin Division, limited Katz to 30 represented claims.⁹ Judge Clark also ruled that the non-representative claims would be subject to claim preclusion should Katz seek to litigate on them in the future. Notably, in a hearing on limiting claims, Judge Clark observed:

So, to say that, well, we’ll take 30 claims; but if we don’t win on that, then we’re going to go back to the next 30 and then—I mean, we’d be taking about my grandson, were he to become a judge, would be dealing with this; and your grandchildren would be the—you know, I mean, that’s not workable . . . So, unless I see some authority to the contrary, there is going to be some kind of limit.¹⁰

Eventually, 26 of the Katz cases were consolidated before Judge Klausner in the Central District of California, pursuant to the order of the Judicial Panel on Multidistrict Litigation.¹¹ Once again, the defendants sought to limit claims following consolidation, while Katz responded that doing so would violate its due process rights. The court ordered Katz to “select a collective total of 64 claims against all the defendants.”¹² In

so doing, the court noted that “all the parties agree that allowing [Katz] to assert all its claims from its different patents would be unmanageable. Furthermore, no party disputes that this Court has the inherent power to issue orders to manage its dockets.”¹³ In a twist, however, the court noted that “limitations set forth in this decision *may* be unduly restrictive” and therefore allowed Katz to seek permission to add further claims in excess of the 64 at a later date.¹⁴

With respect to Katz’s contention that limiting claims violated its due process, the court noted:

Although ordering a patent plaintiff to choose between patent claims that do not overlap in subject matter would violate due process, we find that ordering a plaintiff to select among clearly duplicative claims does not violate due process. By definition, there are no distinctive property rights in claims that have substantially the same coverage.¹⁵

This idea of substantial overlap between various patent claims echoes Federal Circuit sentiment on this issue. However, it is at odds with the traditional concept of patent claims as separate property and creates problems in its own right. Beyond the Katz cases, other courts have also limited patent claims in this fashion, although typically this is done pursuant to the parties *joint* stipulation.¹⁶

Patents as Property

It is a fundamental principle of patent law that patents are rights founded on property. As early as 1876, the Supreme Court concluded, “A patent for an invention is as much property as a patent for land. The right rests on the same foundation, and is surrounded and protected by the same sanctions.”¹⁷ Moreover, the Patent Act requires an independent analysis of the validity of *each claim* of a patent.¹⁸ As a result, the right to property found within each patent claim has historically been afforded the same due process protections that non-patent property interests enjoy.¹⁹

Federal Circuit Guidance

These traditional principles have clearly been severely strained by modern patent litigation. Faced with a deluge of patent claims, courts have taken refuge in their power—both inherent and Federal Rules-based—to manage their dockets to secure “the just, speedy and inexpensive determination” of civil actions.

Neither the Federal Circuit nor the Supreme Court has directly confronted or attempted to resolve this tension between administrability and constitutional

protections. However, two unpublished decisions from the Federal Circuit give some limited guidance on how it may eventually decide. In *ReRoof Am., Inc. v. United Structures of Am., Inc.*,²⁰ plaintiffs (collectively ReRoof) brought suit alleging infringement of various claims on five patents all related to methods and apparatuses for placing a new sloped roof over an old flat roof. Prior to trial, ReRoof selected 18 “illustrative” claims to present at trial. The US District Court for the Northern District of Oklahoma, unsatisfied with ReRoof’s compliance with the court’s directive that “the case be manageable for presentation to a jury,” ordered ReRoof to further pare down to five representative claims—one from each patent—on which to go to trial.²¹

After a jury found both invalidity and noninfringement, ReRoof appealed, asserting, *inter alia*, a right to a new trial on the ground that “the court had prejudiced it by requiring it to go to trial on only five of its asserted claims.”²² The Federal Circuit disagreed, concluding that ReRoof had failed to show that it was so prejudiced. Noting that the “various claims of the five patents in suit overlap very substantially,” the court was “convinced that there is no reasonable likelihood that a trial that included the 13 untried claims would have resulted in a verdict affording ReRoof any relief.”²³ The Federal Circuit also noted that “ReRoof acknowledges that the [district] court did not err by requiring it to reduce its claims for trial to those [initial] 18,” and therefore “ReRoof cannot now support its claim of prejudice by arguing that a trial on some of the claims outside the 18 that ReRoof selected might have resulted in a different verdict.”²⁴

In another unpublished Federal Circuit opinion, *Kearns v. General Motors Corp.*,²⁵ *pro se* plaintiff Kearns appealed the lower court’s dismissal, with prejudice, of his patent infringement suit. Kearns had filed a complaint against GM alleging infringement of five patents relating to windshield wiper circuits. The district court issued a pretrial order requiring Kearns to limit his asserted claims to one per patent. Rather than obeying the order, filing a motion for reconsideration, or filing an interlocutory appeal, Kearns simply chose not to comply and instead asserted all claims in 23 of his patents.²⁶ That is, Kearns went beyond the five patents alleged in his complaint to assert claims arising from additional patents that had not previously been identified.²⁷

The Federal Circuit affirmed the lower court’s dismissal, finding that “[w]ithout question, Kearns’ refusal to obey the court orders prejudiced GM.”²⁸ The court did not confront directly the lower court’s initial order to limit claims except to note that the district court had “warned” Kearns that “continued refusal to comply with orders would result in dismissal of the

case” and that the court had “weighed other options before dismissing the case.”²⁹

Neither of these cases does justice to the due process difficulties in limiting patent claims. This can perhaps be explained, at least in part, by failures of the patentees themselves. In *ReRoof*, for instance, the patentee argued only on appeal that the lower court’s patent claim limitation “prejudiced it” rather than led to a fundamental deprivation of due process rights. Critically, *ReRoof* had voluntarily agreed to limit its own claims to 18 at the start of the case, thereby hampering any argument that a further limitation to five would have been a constitutional violation. The errors made in *Kearns* were even more severe. Not only did *Kearns* fail to raise due process arguments either in trial or on appeal, but his decision to allege claims arising from 18 patents that had never been identified in his complaint clearly did not bring him in good standing with the courts. In any case, the fact that the Federal Circuit chose not to publish either of these decisions on an issue of first impression is telling.

Confronting the Tension Between Constitutionality and Administrability

Moving forward, courts will continue to face obstacles in managing patent claims. Despite the traditional view of patent claims as property, adopting a strong view of due process protections does not appear to be saleable. As Judge Clark rightly noted, his grandson would still be overseeing litigation were Katz allowed to try all 1,975 claims. More practically, a strong view of due process rights would give patentees, particularly those with the resources to litigate cases over the long term, incredible, and perhaps undue, leverage in obtaining favorable settlements from defendants. After all, such patentees could simply try their whole arsenal of patent claims 20 or 30 at a time, and with no particular concern for preclusive effects, until they obtain favorable results.

On the other hand, it seems unavoidable that arbitrarily limiting the number of claims to be tried, and binding such trials with preclusive effects, would effectively destroy property without constitutional due process. Legal precedent has clearly afforded strong property rights with respect not only to each patent but also to each patent *claim*. An analysis of “prejudicial” harm simply does not do justice to fundamental due process rights.

To date, most courts have leaned towards the latter approach. As seen in cases such as *ReRoof* and the *Katz* litigation, the rationale most often used is that there is “substantial overlap” between the patent claims. Empirically, this may certainly be the case. However,

this approach has problems of its own, namely the sometimes difficult exercise of demonstrating which patent claims are truly the “same.”

Though patentees might sometimes accept a judicial mandate of claim similarity, it is easy to see how any definition of “substantial overlap” is necessarily hazy. Courts would be forced to differentiate, case-by-case, claim-by-claim, what is sufficiently the same and what is sufficiently different. Parties may file motions and perhaps even provide expert testimony on the critical distinctions between patent claims that otherwise appear similar (or *vice versa*). It is therefore possible that this solution creates as many administrative hurdles as the initial problem itself. Moreover, substantial overlap analysis still causes harm to the traditional view that each claim is to be treated as a complete and independent invention.

While courts have so far successfully evaded significant constitutional challenges to limiting patent claims, strong undercurrents are developing that may someday be unavoidable. It is possible that once this conflict is fully met, the very character of patents as “property” in the traditional view may have to be reconsidered. Moreover, there may also be pressure on the US Patent and Trademark Office to reevaluate its present process of granting patent rights.

Notes

1. Briefly, interactive voice response (IVR) is a technology that enables computers to detect and respond to voice and touch tone inputs during telephone calls. IVR allows companies to automate interaction with telephone callers. The technology is frequently used for automated attendant functions, customer service, and electronic voice mail.
2. In fact, there is remarkable similarity between *all* of the elements of the cited claims. See ‘863 patent, Claim 125, and ‘762 patent, Claim 1.
3. Case No. 2:07-ML-1816 R GK (FFMx). Most of the remaining cases were not consolidated due to conflicts.
4. Ronald A. Katz Technology Licensing, L.P. v. Citibank, Civil Action No. 5:05-CV-142 (DF) (E.D. Tex.).
5. Order from Scheduling Conference and Docket Control Order, Document No. 73, at 6 (Jan. 27, 2006).
6. *Id.*
7. See Notice of Plaintiff’s Selection of Eight Additional Representative Claims, Document No. 155 (July 14, 2006).
8. *Order*, Document No. 124, at 2 (May 8, 2006) (emphasis added).
9. See Order Denying Motions to Sever and Stay, Document No. 55 (Feb. 27, 2007) in Ronald A. Katz Technology Licensing, LP vs. Various Defendants in the Cases Listed Herein, Case No. 9:06-cv-00202-RHC (E.D. Tex.).
10. January 25, 2007, Court Hearing, Transcript at 15:13-18, 16:2-3.

11. See Certified Copy of Transfer Order from Judicial Panel on Multidistrict Litigation received creating Master Docket MDL 1816 In Re: Katz Interactive Call Processing Patent Litigation, in C.D. Cal. Case No. 2:07-ML-1816 R GK (FFMx) (04/05/2007).
12. In re Katz Interactive Call Processing Patent Litig., Civil Minutes—General, Document No. 221 at 3 (Aug. 31, 2007).
13. *Id.* at 2.
14. *Id.* at 4.
15. *Id.* at 3.
16. See, e.g., *Miles Labs., Inc. v. Shandon, Inc.*, 997 F.2d 870, 879 (Fed. Cir. 1993) (district court did not err in holding that the claims dependent upon a claim found to be invalid for obviousness were likewise invalid.); *Baxter Int'l, Inc. v. COBE Labs., Inc.*, 88 F.3d 1054, 1057 (Fed. Cir. 1996) (“Where the parties stipulate to representative claims, . . . a validity resolution for the representative claims applies to the other claims as well.”). *N.V. Akzo v. E.I. Dupont de Nemours*, 810 F.2d 1148, 1152 (Fed. Cir. 1987) (a finding of invalidity of a broad representative claim applied to all the other claims of the patent in suit); *McDonnell Douglas Corp. v. United States*, 670 F.2d 156, 161, 163 (Ct. Cl. 1982) (the parties “have treated [claims 1 and 6] as representative of the claims allegedly infringed, and so shall we.”).
17. *Consol. Fruit Jar Co. v. Wright*, 94 U.S. 92, 96 (1876). See also 35 U.S.C. § 261 (“[P]atents shall have the attributes of personal property.”); *Patlex Corp. v. Mossinghoff*, 758 F.2d 594, 599 (Fed. Cir. 1985) (“It is beyond reasonable debate that patents are property.”).
18. See 35 U.S.C. § 282 (“A patent shall be presumed valid. Each claim of a patent (whether in independent, dependent, or multiple dependent form) shall be presumed valid independently of the validity of other claims; dependent or multiple dependent claims shall be presumed valid even though dependent upon an invalid claim.”); *Chisum on Patents* (2005) § 8.06[5][d], at 8-271 (quoting *Shelcore, Inc. v. Durham Indus.*, 745 F.2d 621, 624-625 (Fed. Cir. 1984)); *Gardner v. TEC Sys., Inc.*, 725 F.2d 1338, 1339 n.1 (Fed. Cir. 1984) (trial court erred in adjudging the patent in suit as invalid for obviousness under § 103 where only claims 1, 3, 4, and 8 were tried by the parties and considered by the court; the trial court’s decision must be limited to the claims in suit.); *Harmon, Patents and the Fed Cir* (6th Ed. 2003) at § 19.3(g) (“Each claim of a patent is presumed valid independently of the validity of any other claim. For this reason, where a defendant does not counterclaim for invalidity of all claims, a judgment of invalidity encompassing all claims must be reversed where it appears that the validity of certain claims was not actually litigated at trial.”); *Stiftung v. Renishaw PLC*, 945 F.2d 1173, 1181 (Fed. Cir. 1991) (“[E]ach claim must be considered separately”); *Interconnect Planning Corp. v. Feil*, 774 F.2d 1132, 1137 (Fed. Cir. 1985) (“[I]t is well settled that each claim of a patent is entitled to a presumption of validity and is to be treated as a complete and independent invention.”).
19. See *Johnson & Johnson, Inc. v. Wallace A. Erickson & Co.*, 627 F.2d 57, 59 (7th Cir. 1980) (“The seventeen-year exclusion is a right and not a matter of grace or favor . . . It is a property right . . . of which the patentee cannot be deprived without due process of law.”) (quoted in *Patlex*, 758 F.2d at 599); *Cedars-Sinai Med. Ctr. v. Watkins*, 11 F.3d 1573, 1582 (Fed. Cir. 1993) (“Patent property rights . . . cannot be deprived without due process of law”).
20. *ReRoof Am., Inc. v. United Structures of Am., Inc.*, Nos. 98-1378, 98-1430, 1999 WL 674517 (Fed. Cir. 1999).
21. *Id.* at *1.
22. *Id.*
23. *Id.* at *4.
24. *Id.*
25. *Kearns v. General Motors Corp.*, No. 93-1535, 1994 WL 386857 (Fed. Cir., July 26, 1994).
26. *Id.* at *1.
27. *Id.*
28. *Id.* at *2.
29. *Id.* at *3.

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