United States District Court,
S.D. New York.

HOME SHOPPING NETWORK, INC,
Plaintiff.
v.
COUPCO, INC,
Defendant.

No. 95 CIV. 5048(LBS)

Feb. 27, 1998.

Kenyon & Kenyon, Attorneys for Plaintiff, Home Shopping Network, Inc., New York, By Thomas F. Meagher, Esq., Mark Supko, Esq.

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OPINION

SAND**, District J.**

Plaintiff Home Shopping Network, Inc. ("HSN") has brought this action for a declaratory judgment against Defendant Coupco, Inc. ("Coupco"), seeking an order of non-infringement of Coupco's Re-issue Patent # Re. 34,915 ("the Patent") and invalidity of the patent pursuant to the federal patent laws. (Compl. at 5) Since the decision in Markman v. Westview Instruments, 52 F.3d 967 (Fed.Cir.1995), *aff'd,* 517 U.S. 370, 116 S.Ct. 1384, 134 L.Ed.2d 577 (1996), holding that the interpretation of a patent's claims is the exclusive province of the court, litigation of infringement cases has been bifurcated into two stages: a claim construction phase, or so-called Markman Hearing ("Hearing"), before the bench and a trial on the question of infringement before a jury or the court as a factfinder. This Court conducted a Markman Hearing in the instant case on January 28, 1998. On the basis of that Hearing, the parties' submissions and the Court's reading of the disputed patent, we now construe those claims at issue for the purpose of a subsequent decision on the question of infringement.

BACKGROUND

This case revolves around Coupco's '915 Re-issue Patent, FN1 in particular Claims 1 and 26 FN2 of this Patent, for a "paperless system for distributing, redeeming and clearing merchandise coupons." In 1984 three inventors (Nichtberger, McGlynn and Snook) filed for a patent covering a system of electronic couponing. The original patent application was initially rejected by the U.S. Patent and Trademark Office (PTO) Examiner for failure to distinguish itself sufficiently from the prior art, in particular patent # 4,554,446 (Murphy patent), a supermarket inventory control system and method which described an in-store paper coupon distribution system with machine-readable coded coupons. The PTO Board of Appeals subsequently

ruled that a *paperless* couponing system in which a customer is identified at the final checkout station is a patentable innovation. The original patent # 4,882,675 ("the '675 Patent") issued in 1989 followed by the subsequent reissuance under '915 in 1995, correcting what Coupco felt to be defects in the original patent. This patent has been assigned to Defendant Coupco which has not yet reduced the patented process to practice, but has successfully licensed its technique to other firms.

FN1. All parenthetical references to language from the Patent refer to the Reissue Patent # 34,915.

FN2. There is some dispute as to whether Claim 26 is still at issue in this litigation. (HSN Pre-Hr'g Br. at 4; Coupco Pre-Hr'g Br. at 1). In the original Disclosure of Asserted Claims, Coupco asserted Claim 1 and Claim 26. Coupco now states that Claim 26 cannot be infringed because HSN has discontinued its practice of electronic couponing since the grant of the reissue patent and, for this reason, Claim 26 should no longer be considered. Although withdrawing Claim 26 from consideration would prevent it from forming the basis of any allegations of infringement in this action and would seem to obviate the need to construe Claim 26, Coupco, in a letter to the Court dated January 23, 1998, alleges that HSN has resumed its practice of electronic couponing. Furthermore HSN, the declaratory judgment Plaintiff in this action, demands that it receive the assurance of a full and final disposition on both of the claims which Coupco raised during the course of this dispute. For the sake of completeness and to resolve any confusion, the Court will continue to address Claim 1 and Claim 26.

Following several allegations of infringement by Coupco against HSN, a well-known cable television merchandiser, HSN brought suit seeking this declaratory judgment declaring non-infringing its own practice of broadcasting on-screen video coupons, which customers redeem upon calling in to purchase items displayed using a computerized ordering system.

In the basic embodiment of the Coupco invention, a consumer inserts a special I.D. card, marked with a UPC code identifying him, into a Coupon Distribution and Redemption Unit (CDR), essentially a kiosk, which "dispenses" those electronic coupons selected by the customer. The CDR unit includes a video display of the coupons that are available for redemption by that customer and permits the customer to select one or more coupons. The coupon selection information, along with the customer's identification, are transferred to the store's checkout stations where the information is used to match coupon selections with items being purchased as they are scanned at checkout. At checkout, the customer presents his special I.D. card. The checkout system then searches for a match between that customer's coupon selection and the products purchased by him. If a match is found, the consumer is then automatically credited for the value of the coupon(s). The relevant information is subsequently transferred from the checkout to a computer processor for electronic "clearing" and adjustment of the manufacturer's and retailer's accounts.

The process of electronic, paperless couponing comprises means to encode and issue the necessary UPC cards, an image capture device to upload digitized images of the products to the couponing kiosk, a unit (CDR) to output a coupon display to customers via a video screen and receive and store the input of their selections, and a central processing unit to match and clear the coupons. The patent does not cover the invention of any part of this device, which functions using relatively straightforward and common technology such as personal computers, modems and video monitors, but encompasses the process as a whole.

THE SCOPE OF THE MARKMAN HEARING

The Markman Hearing serves to define the metes and bounds of a patent's claims. Claim interpretation is a question of law for the court's resolution; whereas determining infringement is the province of the factfinder. Kearns v. Chrysler Corp., 32 F.3d 1541, 1547 (Fed.Cir.1994). The construction of the claims is crucial because it apprises the public of the patent's scope, carves out a protected realm for the patent's owners and frees up the creative space for non-infringing innovations. Article I of the Constitution provides that Congress shall have the power "to promote the progress of science and useful arts, by securing for limited times to authors and inventors the exclusive right to their respective writings and discoveries." The strength of this lawful "monopoly" makes precise claim construction vital because excessive generality can lead to encompassing too much within the patent's folds and a grant to the inventor of more than rights over his own invention. Where claims are vague, there is also the risk of confusing those skilled in the art as to the patent's exact scope. Finally, accurate construction is critical, especially where the claims, as here, largely describe the contours of the patent's function, relating what it accomplishes rather than what it is.

Though restricted to determining what process or structure the patent covers in its claims, the Markman Hearing is not intended to be a construction of Coupco's claims in the abstract but, rather a vehicle to aid in the eventual decision of the infringement question underlying this dispute.

Generally, intrinsic evidence from the patent itself will suffice to resolve any ambiguity in a term of a patent's claims, eliminating the need for a hearing. Intrinsic evidence in this context refers to the language of the claims themselves, the patent's specifications and the file history of the patent's prosecution, including foreign litigation. Vitrionics Corp. v. Conceptronic, Inc., 90 F.3d 1576, 1582 (Fed.Cir.1996). Language is to be read according to its ordinary meaning unless the patent specification clearly states otherwise. Extrinsic evidence, such as inventor or expert testimony or technical treatises, as offered in this case, is to be considered only at the court's discretion and then only to aid in its understanding of technical terminology. Despite both parties' critique of the other's attempt to introduce extrinsic evidence, each side here has proffered extrinsic materials. Though the January 28, 1998 Hearing did elucidate and sharpen our focus on the issues in dispute, this Court's construction of the claims is the result almost exclusively of our reading of the intrinsic evidence of the Patent and its prosecution. However, the testimony and exhibits presented did usefully amplify the record as to potential readings of the language and explicate in greater detail the function of the Coupco Patent and its corresponding structures.

Means-Plus-Function Claim

We have before us a "combination" patent which contains the term "means" to define an element of the claim followed by a statement of its function. When faced with such a meansplus-function claim, the claim should only be interpreted as covering the practical and operative means disclosed in the patent's specifications and embodiments, or the fair equivalent of such, if such a patent is not to be rendered invalid. Lipscomb's *Walker on Patents* s. 11:16 (3d. ed.1985). In other words, whereas a patent need not outline each and every possible embodiment of the process, in order to prevent the patent from being understood as encompassing any conceivable means of performing the function described, a claim will be understood as corresponding to the specific structure described in detail in the specifications to the patent. 35 U.S.C. s. 112para. 6; FN3 *See also* B, Braun Medical, Inc. v. Abbott Laboratories, 124 F.3d 1419, 1424 (Fed.Cir.1997); Valmont Indus. v. Reinke Mfg. Co., 983 F.2d 1039, 1042 (Fed.Cir.1993); *see also Chisum on Patents* s. 8.04 (Elec. ed. 1998) ("Functional language is objectionable when it causes a claim to (1) cover more than the inventor has invented and disclosed in the specification or (2) define the invention in a vague and ambiguous manner.").

FN3. "An element in a claim for a combination may be expressed as a means or step for performing a specified function without the recital of structure, material, or acts in support thereof, and such claim shall be construed to cover the corresponding structure, material, or acts described in the specification and equivalents thereof." 35 U.S.C. s. 112para. 6.

Hence the goal in construing the claims at issue is both to narrow the scope of the patent to cover a definite and clear structure and, at the same time, to expand equitably the rights of the patent holder to prevent infringement from devices which perform substantially the same function to obtain substantially the same overall result. Valmont, 983 F.2d at 1042 (Fed.Cir.1993); Pennwalt Corp. v. Durand-Wayland, Inc., 833 F.2d 931, 934 (Fed.Cir.1987) (en banc), *cert. denied,* 485 U.S. 961, 108 S.Ct. 1226, 99 L.Ed.2d 426, *and cert. denied,* 485 U.S. 1009, 108 S.Ct. 1474, 99 L.Ed.2d 703 (1988).

This balanced inquiry is especially relevant here where the process at issue promises to have tremendous commercial viability and widespread applicability but where it is still questionable whether its originality clears the hurdle of obviousness and innovativeness required for the broad and powerful protection of a United States patent.

PAPERLESS COUPONING

"Coupon," a nineteenth century expression deriving from the French for "to cut," today refers to "a part of a printed advertisement designed to be cut off or torn for use as an order blank or as a form for inquiry... a form or check indicating a credit against future purchases or expenditures." *Webster's Third New Int'l Dictionary* 522 (1993). Paper coupons are typically distributed through printed promotional materials to customers who subsequently redeem the appropriate discount upon checkout. The consumer must clip the coupon and bring it to the store, following which the store must bundle the coupons, send them to a clearing house for sorting and return to the manufacturer. At each stage in this cumbersome process the necessary debits and credits must be allocated. Associated with the lucrative marketing technique of coupons is the concomitant enormous administrative cost. Very few of the coupons issued are actually redeemed and, of those, many are misredemptions for the wrong product. (Coupco Pre-Hr'g Br. at 4)

Coupons provide manufacturers with the benefits of a "temporary price reduction, which will cause or allow them to move a potentially greater volume of product than they would have moved with a price cut." (Nichtberger Hr'g Test., Tr. at 26) They "empower" the consumer in a way that a simple sale does not and thereby create a purchasing incentive. Coupons, even when unredeemed, advertise products and their makers.

Paperless couponing offers additional perquisites. *See* Carole Sugarman, *In-Store Computer Terminals, A Super Marketing Device,* Washington Post, May 28, 1986, at El, 4. It promotes the same marketing strategy as traditional coupons while cutting costs. The need for printed coupons or any physical paper-handling is eliminated. The promise of such a system is that "redemption rates are increased, the cost of coupon distribution, redemption and clearing is reduced, and fraudulent redemptions of the type that are characteristic of conventional coupon distribution and redemption systems are eliminated." (col.3, lns.8-12) In addition, paperless electronic couponing also offers the advantage to manufacturers of data collection about consumers and of targeted marketing. The manufacturer is able to offer a discounted price to one segment of the market while not offering it to another segment. For example, when a given customer steps

up to an electronic coupon kiosk and identifies himself as John Doe, the couponing system, reading the customer profile stored on his identification card, may offer John coupons only for products which he is more likely to buy based on his shopping history or demographic data; conversely, it may display coupons only for products he is unlikely to buy without the incentive of a coupon. Paperless electronic couponing enhances certain of the attractive features of coupons while replacing the administrative costs of paper handling with the, presumably, lower cost of electronic data transfer.

THE DISPUTED CLAIMS

This litigation concerns two, almost identical claims out of the thirty listed in the '915 Patent which describe the paperless couponing system. These claims provide a broad overview of the invention as elucidated by the other claims. Claim 1 reads:

A paperless system for distributing and redeeming coupons and the like, said apparatus comprising:

display, selection and recording means for presenting to a customer a display of coupons, for enabling the customer to make a selection of coupons from the display, and for recording the selection, said display, selection and recording means further including means for generating a first signal identifying the customer and his/her coupon selection,

identification and checkout means for identifying the customer at a store checkout station as the one who made the selection and for generating a second signal identifying items purchased in the store by the customer,

matching means coupled to said display, selection and recording means and responsive to said first and second signals for determining any matches between the coupons selected and the items purchased,

and means for crediting the customer in accordance with the terms of the matched coupons.

Claim 26, which had not been part of the original '675 Patent but was included in the Reissue Patent reads:

A paperless system for distributing and redeeming coupons and the like, said apparatus comprising:

display and selection means for presenting to a customer a display comprising at least one coupon and for enabling the customer to make a selection of at least one coupon from the display, said display and selection means further including means for generation a first signal identifying the customer and his/her coupon selection,

identification and checkout means for identifying the customer at a store checkout station as the one who made the selection and for generating a second signal identifying items purchased in the store by the customer,

signal storage means,

means for electronically conveying said first and second signals to said signal storage means,

matching means connected to said signal storage means and responsive to said first and second signals for

determining any matches between the coupons selected and the items purchased,

and means for crediting the customer in accordance with the terms of the matched coupons.

Arising from these claims are four discrete questions relating to the characteristics of the structure(s) required by the Patent. Both parties allude to these issues in their pre-hearing briefs and we summarize them as follows here:

Question	COUPCO Position	HSN Position
Does "display, selection and recording means" refer to an integrated system such as a single kiosk?	No, "display," "selection" and "recording" are to be understood as different functions which can be performed in any order.	Yes, "display, selection and recording" must be a unified procedure.
Are two customer identifications required by the patent, one at the selection of the coupon and one upon redemption?	No, only one identification required.	Yes, two identifications are required.
Does the patent involve discrete and distinct "stages" of identification/selection and redemption?	No, selection and redemption of coupons may occur at or at about the same time.	Yes, the patent requires separate steps.
Is the scope of the patented system limited to a supermarket or similar retail environment?	No.	Yes.

CLAIM ONE

display, selection and recording means

We are asked to construe specific phrases in the First Claim of the '915 Patent which describes the paperless couponing apparatus. At issue is the meaning of the phrase "display, selection and recording means for presenting to a customer a display of coupons from the display, and for recording the selection, said display, selection and recording means further including means for generating a first signal identifying the customer and his/her coupon selection ." This part of the claim has given rise to the question of whether "display, selection and recording" refers to a single integrated device such as the kiosk (also referred to as CDR) depicted in "The Invention of the '915 Patent," (Def.'s Hr'g. Ex. 2) where all the devices for performing these functions are housed in one unit, or can include other arrangements of "display," "selection" and "recording" means in one or different systems, occurring separately or together. We look to the language of the claim and then to the patent's specifications for construction. Because of the means-plus-function style of the patent, construction of this phrase must examine specifically the structures which are covered by '915.

HSN looks to Claim 26 to understand better the meaning of Claim 1. HSN contends that because Claim 26, added to the '915 reissue patent, calls for "display and selection means," as opposed to "display, selection and recording" means, the latter phrase in Claim 1 should be understood to mean a single, unified means comprising all three functions coupled together. Coupco, by contrast, asserts that because the patent states that the recording function could and might be transferred from the kiosk to the checkout station, the Patent cannot possibly be construed to require a single integrated device. (Coupco Pre-Hr'g Br. at 23) Coupco goes on to assert that patentability was never predicated on the presence or position of a recording means. (Reissue Applic. Decl. of 12/12/1991, at 7) Our analysis, however, is not limited to finding what about this

patent is new but what this patent is about.

We find, based upon the intrinsic evidence, that the phrase "display, selection and recording" means does not require a single physical embodiment where three devices are coupled and enclosed in a case, such as a kiosk, but that these three functions must be linked.

The structure corresponding to the display means is a video monitor (col. 11, lns. 66-68 and Claim 3); the structure corresponding to the selection means is a touch screen sensor (col. 11, lns. 66-col. 12, ln.1 and Claim 3) or, in a modified embodiment, a telephone key pad in which the customer makes his or her selection at home (col. 27, lns. 50-55 and col. 27, ln. 65); the structure corresponding to the recording means is a computer readable file on a data storage device. (col.22, ln.65-col.23, ln.2) These are the essential required elements. In the embodiments described in the specifications, these elements are combined in two fashions, either a kiosk located in a store, (col.12, lns.3-20) or a processing unit accessible by telephone to the customer. (col.27, lns.46-65) The Summary of the Invention very specifically refers to the invention as an "apparatus compris[ing] display, selection and recording means." The use of "apparatus" and the depiction in the block diagram in Figure 5 of the Patent suggest a unified object.

As we read it, the Patent's language should be read as restricting Coupco to a closely integrated embodiment of the "display, selection and recording" means, rather than reading each of these as completely separate functions. Yet taking the structure presented or the fair equivalent thereof, we find that they need not be joined in a single free-standing unit, such as a kiosk, but that these processes must be closely interrelated. The actual recording means need not physically be present in the same location as the display means. The alternative embodiment teaches a local processing unit accessible by telephone and coupled to the store kiosk. (col.12, ln.3-20) The recording means may be a central computer which is linked to the kiosk via a network. In this era of cellular and wireless communication, when data travels effortlessly through the ether, devices need not be physically proximate to be functionally integrated. A patent can encompass variations to the stated embodiments though the Patent clearly teaches that "display, selection and recording" means is to be understood at a minimum as a structure where these means are functionally linked.

Therefore whether the "display, selection and recording means" reside within the kiosk and are linked by modem or network to the cash register or whether the recording means are located at the checkout counter, so long as the systems are integrated and interconnected, such an embodiment would fall within the scope of the Patent's claims and the enumerated embodiments.

Customer Identification

The second debate between parties concerns the number of customer identifications taught by this Patent. There is no dispute that the customer must be identified at the checkout counter nor is there any dispute as to the device used for identification. Identification is one of the essential features which distinguishes Coupco's Patent from the prior art. At issue, rather, is the requirement of initial identification at the time of coupon selection. Coupco argues that the customer is only required to be identified once in the electronic couponing process at the time of purchase. (Coupco Discl. of Asserted Claims at 5) HSN counters that intrinsic to the '915 patent are two customer identifications, one at the time of coupon selection and again upon coupon redemption.

It is clear to the Court on the face of Claim 1 that, contrary to Coupco's assertions, two identifications are obligatory.

Claim 1 refers to two signals: "...means for generating a first signal identifying the customer and his/her coupon selection," and the subsequent identification at the checkout via "a second signal identifying items purchased in the store by the customer." The customer selecting and the customer redeeming the coupon must match; at least the electronic identification card associated with that customer must be the same at selection and at redemption. Furthermore, the Abstract and the Objects of Invention of the Patent speak of a customer making a selection of coupons and a customer being subsequently identified at the checkout. The dual use of "customer" suggests that it is the same person at both stages of the process. The third claim of the Patent (each claim should be read in the context of the others) makes reference to the selection of coupons at a video monitor by "said customer," again implying a specific customer and not simply any person. The Claim speaks of "matching means" coupled to the coupon display. HSN points out that "matching means" functions to compare the customer's previously recorded coupon selections (i.e. the "first signal") to the products later purchased by the customer (i.e. the "second signal"). In Coupco's Brief to the PTO Board of Appeals, in an effort to demonstrate the advantages of its system over Murphy, it stated: "redemption only takes place if the customer identified at the checkout counter is the customer who received the coupons at the distribution station." (Appellant's Br. at 19) Finally, the Patent's specifications (col. 17, part B) describe a process whereby the customer may possess a special card which bears his identifying number in UPC format or enters his ID number at the checkout which calls up his prior coupon selections. It is unclear how this specification would make sense if there were not two identifications. In construing a specific structure to correspond to Claim 1's "matching means," there is no way to match the coupons with the customer, as demanded by the Claim without identification at the beginning and at the time of redemption. Common sense and the Objects of the Invention dictate that the purposes of electronic couponing, such as targeted marketing, are not served without identifying the customer first.

Multi-Stage or Single Stage Process

Closely related to the question of identification is the issue of whether the scope of Claim 1 includes a system where coupon selection and redemption occur at or about the same time so that the customer need only be identified once. Coupco argues that the patent was predicated on and distinguished from the prior art by the electronic transfer of the coupon selection data to the checkout station and identification of the customer at the checkout alone. (Coupco Pre-Hr'g Br. at 21) It contends that it is only HSN which would have the Court believe that two distinct stages, two separate devices or two separate identifications are required. Coupco vehemently contests such a reading.

HSN counters that the language of Claim 1 itself, where selection of the coupons is referred to in the past tense ("made the selection") necessitates that the Patent be limited to a staged system of selection and checkout and not cover a system of simultaneous selection and checkout. HSN argues that the language of the Patent, where it states that the matching means are "responsive to said first and second signals for determining any matches between the coupons selected and items purchased" necessitates a two-stage selection and redemption procedure. (HSN Pre-Hr'g Br. at 28)

In all embodiments of the Patent, the process of electronic couponing is one of discrete steps. Even in the embodiment of the system where the customer selects coupons from home, the process provides for redemption of "the coupons upon completion of shopping in that store or later." (col.3, lns.21-25) This language can be read as identifying two separate stages: selection at home or upon entering the store followed by later redemption at the store. Under Modifications and Embellishments, the Patent further describes the process of selection at home and redemption of the pre-designated coupons at the store.

Nowhere is there any description or mention of an embodiment of simultaneous selection/redemption except at the Hearing. (Hr'g Tr. at 60) In Coupco's Brief to the PTO Appeals Board, Coupco describes its invention as one where "basically, there are three stages: coupon *distribution* to the consumer, coupon *redemption* at the retail outlet, and coupon *clearing* by the coupon issuer." (Appellants' Br. of 7/13/87, at 2)

The process covered by the Patent per se comprises discrete steps that correspond to coupon selection and redemption. The question before this Court is how near in time these steps may occur to one another and whether the Patent makes any distinction between when and in what order these steps take place. Defendant Coupco argues that coupon selection could transpire after shopping when coupons are awarded to customers for future purchases on another occasion. Yet even this variation includes the two separate acts of selection and redemption at a later stage. Were a customer to select coupons after shopping in order to receive a discount on brands purchased on that trip for some subsequent purchase, this would not constitute couponing. In theory, the purchaser could make his or her choices at the shelves, approach the checkout, stopping at a display screen which offers discounts on specific items or off of given brand names or categories of item, before paying the final bill. This would telescope the selection and redemption process into a single act. But this hypothetical sheds no light on our inquiry because of its infeasibility and subversion of the Patent's stated objectives of creating customer shopping incentives. A coupon's function is to encourage certain purchases, advertise the products and target customers using marketing strategies which have been proven more effective for manufacturers and retailers than mere discounting. Of course, it is conceivable that, even where a kiosk has been erected for customers to select their coupons prior to shopping, a consumer, seeing a line at the kiosk, might shop first and then use the kiosk just before checking out, in the hope that it might offer him a relevant coupon. Possible misuses of a device, however, are not relevant to defining the structure covered by a patent's claims.

By the very nature of couponing, discrete steps are involved in the process of selection and redemption. Whether these should be described as "stages" or not adds very little to any understanding of the claims. Therefore the convenient description of "stages" should not be misused to read this section of the Patent too narrowly and fail to protect the patent-holder from substantially equivalent infringers. At the same time, it should not be eliminated altogether because this would veer away from an understanding of the Patent as a clearly defined system for electronic couponing. We are not dealing here with a paperless survey machine, which only questions customers about their reaction to a product or a store, nor does this have anything to do with a kiosk which offers electronic, paperless nutritional or other information about products. These functions do not necessitate a multi-stage procedure. These embodiments may be interesting and useful and, indeed, they might even be included in the instant device but they are not taught by this Patent. Therefore we find that, because of the means-plus-function requirements, Claim 1 implies a staged process for distribution and redemption of electronic paperless coupons.

Is the Scope Limited to a Supermarket?

HSN asks this Court to limit "identification and checkout means" to the structure of a store checkout station, specifically in a supermarket or other similar retail checkout. (HSN Pre-Hr'g Br. at 27). HSN points out that because Coupco chose to use the term "store checkout station" in the claim itself and repeatedly referred to a supermarket in describing the embodiments of its patent that they should now be held to this. (col.17, lns.36-53). Under Coupco's analysis, the invention should not be limited to use within a supermarket environment. (Coupco Pre-Hr'g Br. at 8). The Patent contemplates additional possible uses in drugstore and hardware store settings and suggests that the invention would also be useful to "promote airline travel, car rental, reservations in a particular hotel, etc." (col.30, ln.32) In an alternative embodiment the patent teaches

selection of coupons by the customer in the home followed by shopping for "supermarket items" on the system and redemption at the supermarket. (col.27, lns.45-68)

The resolution of this question of the requirement of a store is highly relevant for the future of paperless couponing as a part of the burgeoning industry of electronic commerce, in particular via the Internet and the World Wide Web. It is important to clarify therefore whether this Patent teaches that the coupon, even where selected and distributed to the customer at home via electronic media, must subsequently be redeemed in a store or whether the sales and couponing transactions may both take place elsewhere. Although the inventors may conceive of a variety of possible scenarios for the implementation of their invention and may enjoy contemplating myriad lucrative uses to which it could be put, 35 U.S.C. s. 112 requires this Court to limit a means-plus-function patent claim to a concrete structure. Hence Defendant's references to "the system," despite inferences to the contrary, should not be construed to expand the Patent to include an electronic sales system without a physical environment or computerized shopping as such (col. 28, lns. 1-8 & 12-14). Defendant's have attempted to stretch the definition "system" beyond the paperless couponing device to describe a device for telephone shopping. (Tr. at 54) All that is described in the Patent is a process of electronic couponing for use in stores or at home coupled with a visit to the store. There is nothing in the Patent's specifications which would allow us to do away with the store. However, a supermarket is not the only environment in which such a device could be used and the Patent is no less valid if the structure, as described by the Patent, were to be erected in a hardware store or another type of retail store environment. What is defining is not the type of merchandise sold but the process of offering discounts to patrons via paperless coupons by means of a device like the one taught by the Patent. We find that Claim 1 teaches a physical retail store environment of some kind.

CLAIM TWENTY-SIX

The language of Claim 26 is virtually identical to that of Claim 1 except that it was new to the '915 Reissue Patent and did not form part of the original application. We treat here only the significant distinctions.

Claim 26 teaches a "display and selection means." (col.34, ln.6) The recited means should be read as corresponding to a structure where the "display and selection" functions are interconnected. As above, the components need not be housed within a single kiosk, but they must be closely interrelated and linked electronically or physically. The disclosed device need not integrate a storage mechanism for recording the customer's coupon selection.

Unlike Claim 1, this Claim calls for "signal storage means." (col.24, ln.18) Coupco reads this as essentially equivalent to the "recording means" called for in Claim 1, only these means need not be part of the display and selection means. Thus, Coupco claims, the signal storage means is associated with the structure of a computer-readable file. (Coupco Discl. of Asserted Claims at 8). HSN envisions a structure to store the two signals disclosed: the first signal matches the customer's identification at the checkout to the corresponding coupons and the second signal conveys the items purchased as they are scanned in for subsequent matching with the coupons. This structure corresponds to the disk drive or storage device in the kiosk and the one at the cash register. Alternatively, where the customer calls in by phone to select coupons, says HSN, the first signal is stored by a local computer at the store. We find that "signal storage means" refers to a device, such as a computer drive(s) or file(s), which can record the "first signal" or information to be transferred from the kiosk to the checkout (customer identification and coupon selection) *and* the "second signal" or the information received at the checkout (items purchased and customer identification) for comparison to one another. This signal storage unit's physical location is not taught by Claim 26. What is crucial is only that

there be a storage device responsive to both the first signal and the second signal as reflected in the Claim language.

Finally, Claim 26 discloses additional "means for electronically conveying said first and second signals to said signal storage means ." (col.34, lns.19-20) HSN reads this as requiring an electrical connection (via cable, satellite or telephone) between (1) the "signal storage means" and (2) the devices which generate the first and second signals. We agree. (HSN Discl. of Asserted Claims at 9) This reading is obvious on its face and makes sense in light of our reading of "signal storage means." Coupco's own interpretation, in fact, hardly seems to differ. (Coupco's Discl. of Asserted Claims at 8)

The parties are instructed to submit to the Court within twenty (20) days of this Opinion a calendar outlining dates for the filing of any dispositive motions or readiness for further proceedings herein.

SO ORDERED.

S.D.N.Y.,1998.
Home Shopping Network, Inc. v. Coupco, Inc.