

United States District Court,
N.D. Texas, Dallas Division.

STARPAY.COM L.L.C. and,

v.

VISA INTERNATIONAL SERVICE ASSOCIATION and U.S.A.

No. 3-03-CV-976-L

Jan. 4, 2005.

Jenny Martinez, Dewey B. Leggett, Leggett & Clemons, Plano, TX, Charles C. Weddle, III, Joe E. White, Jr., White Law Firm, Edward L. White, Law Office of Edward L. White, Oklahoma City, OK, for Plaintiffs.

Michael P. Lynn, Lynn Tillotson & Pinker, Dallas, TX, Aaron S. Jacobs, Stanley Young, Heller Ehrman White & McAuliffe, Menlo Park, CA, Christian E. Mammen, Heller Ehrman White & McAuliffe, San Francisco, CA, for Defendants.

Ben Prater Monning, III, Gardere Wynne Sewell, Dallas, TX, for Movant.

REPORT AND RECOMMENDATION OF THE UNITED STATES MAGISTRATE JUDGE

SANDERSON, Magistrate J.

Pursuant to the District Court's standing order of reference filed on July 28, 2003, and the provisions of 28 U.S.C. s. 636(b)(1)(B) and (C), the United States Patent No. 5,903,878 is before the court on the issue of claim construction. The magistrate judge held two hearings on October 22, 2003 (the tutorial) and on October 29, 2004 (argument of counsel), and having considered the same together with the relevant pleadings and appendices filed by the parties, the magistrate judge makes the following findings and recommendations with respect to the construction to be applied to the '878 patent:

I.

The patent at issue in this action was filed on August 20, 1997, and issued on May 11, 1999. In summary the patent provides a method for validating electronic commerce transactions utilizing a unique transaction identifier (sometimes referred to hereinafter as the "UTID") associated with a specific transaction between a purchaser of goods or services and a merchant. With the UTID the transaction administrator confirms the identity of the purchaser and notifies the merchant that the transaction may be completed. The Defendants uses a system which is denominated as the Visa Payer Authentication System ("VPAS"), Verified by Visa, as the Visa Three Domain System ("3-D"). Plaintiffs claim that the system which Defendants use infringes the '878 patent.

II.

The threshold issue in any patent infringement case is claim construction. This is a question of law for the court to decide. *See* *Markman v. Westview Instruments, Inc.*, 517 U.S. 370, 372, 116 S.Ct. 1384, 1387, 134 L.Ed.2d 577 (1996). In construing the scope of a patented invention, the court must first look to the "intrinsic" evidence of record. *Vitronics Corp. v. Conceptronic, Inc.*, 90 F.3d 1576, 1582 (Fed.Cir.1996); *Markman v. Westview Instruments, Inc.*, 52 F.3d 967, 979 (Fed.Cir.1995), *aff'd*, 517 U.S. 370, 116 S.Ct. 1384, 134 L.Ed.2d 577 (1996). Intrinsic evidence includes the claim language, the specification, and the prosecution history. *Vitronics*, 90 F.3d at 1582.

Claim interpretation always begins with language of the claim itself. *Johnson Worldwide Associates, Inc. v. Zebco Corp.*, 175 F.3d 985, 989 (Fed.Cir.1999); *Renishaw PLC v. Marposs Societa' per Azioni*, 158 F.3d 1243, 1248 (Fed.Cir.1998). In general, claim terms must be given their ordinary and accustomed meaning to one skilled in the art. *Quantum Corp. v. Rodime, PLC*, 65 F.3d 1577, 1580 (Fed.Cir.1995), *cert. denied*, 517 U.S. 1167, 116 S.Ct. 1567, 134 L.Ed.2d 666 (1996); *Hoganas AB v. Dresser Industries, Inc.*, 9 F.3d 948, 951 (Fed.Cir.1993). "[D]ictionaries, encyclopedias and treatises are particularly useful resources to assist the court in determining the ordinary and customary meanings of claim terms." *Texas Digital Systems, Inc. v. Telegenix, Inc.*, 308 F.3d 1193, 1202 (Fed.Cir.2002), *cert. denied*, 538 U.S. 1058, 123 S.Ct. 2230, 155 L.Ed.2d 1108 (2003). Indeed, "these materials may be the most meaningful sources of information to aid judges in better understanding both the technology and the terminology used by those skilled in the art to describe the technology." *Id.* at 1203.

Once the court identifies possible definitions, it must examine the intrinsic record to identify which of the various possible meanings are most consistent with the way the terms were used by the inventor. *Id.* In general, a claim must be construed to encompass all meanings that are consistent with the intrinsic record. *Id.* However, "a patentee may choose to be his own lexicographer and use terms in a manner other than their ordinary meaning, as long as the special definition of the term is clearly stated in the patent specification or file history. *Vitronics*, 90 F.3d at 1582; *see also* *Johnson Worldwide Associates*, 175 F.3d at 990. The specification acts as a dictionary when it expressly defines terms used in the claims or when it defines terms by implication. *Vitronics*, 90 F.3d at 1582. The court may also consider the prosecution history in determining the meaning of disputed terms. *Id.* at 1582-83; *see also* *CVI/Beta Ventures, Inc. v. Tura LP.*, 112 F.3d 1146, 1158 (Fed.Cir.1997), *cert. denied*, 522 U.S. 1109, 118 S.Ct. 1039, 140 L.Ed.2d 105 (1998). The prosecution history contains a complete record of all proceedings before the Patent and Trademark Office, including any express representations made by the applicant regarding the scope of the claims. *Vitronics*, 90 F.3d at 1582.

While most patent claims can be construed solely on the basis of intrinsic evidence, extrinsic evidence may be considered "for background and education on the technology implicated by the presented claim construction issues." *Key Pharmaceuticals v. Hercon Laboratories Corp.*, 161 F.3d 709, 716 (Fed.Cir.1998). However, extrinsic evidence cannot be used to arrive at a construction of the claim that is clearly contrary to the public record. *Id.*; *Vitronics*, 90 F.3d at 1584.

III.

In construing the patent the magistrate judge addresses the various definitions which the parties contend should be applied.

The parties seek different definitions for the term "originator." The court should construe the term in accordance with the definition previously adopted by the patentee, Plaintiff's Appendix, Exhibit A '878,

2:55-59, to wit:

"The originator is a party who originates the transaction for exchanging information documents or for initiating a payment via an electronic check or a payment transaction for goods and services from a recipient."

The parties agree that the term "recipient" should be construed to mean:

"The party which receives the transaction from the originator."

The parties agree that the term "transaction administrator (TA)" should be construed in accordance with the definition set out in No. '878, 2:65-67, to wit:

"The transaction administrator (TA) is an entity which authenticates entities and validates the content of the transaction by the originator."

The parties suggest that separate definitions should be applied in construing the terms "electronic commerce" and "electronic commerce transaction." The magistrate judge is of the opinion that they should be construed applying a single definition to read:

"Electronic Commerce Transaction' is a sequence of one or more related electronic transmissions that facilitate the purchase of and payment for goods and services between an originator and a recipient ."

The magistrate judge agrees that there is no need to define or construe the term "transmission data".

The parties disagree on how the term "unique transaction identifier should be construed as it appears in the '878 patent. Plaintiffs contend that the term should be construed to mean "information that, at a given time and a particular step of the transaction, allows a party to positively identify the transaction." Defendants on the other hand seek a construction defining a UTID "as a data string that is generated by the originator of the transaction and is not repeated within the originator, recipient and transaction administrator systems (i.e.unique) and that is specifically constructed, designated and used for the purpose of establishing both the identity and the validity of a particular transaction."

The '878 patent does not identify any specific elements which must be embodied in the UTID. However, the term "unique" means that which is peculiar to or which only relates to a single transaction. Therefore, the term "unique transaction identifier" should be construed to mean "Information which specifically identifies an individual transaction initiated by an originator."

Issue is not joined on a definition on the term "generating" or of the term "transmitting", nor does it appear that either term has a "term of art" definition different from that in ordinary and customary useage. Therefore, there is no need for the court to construe these terms as found in the '878 patent.

The parties next join issue on the construction to be applied to the terms "verifying" and "validating." The construction to be applied is informed by the specification and prosecution history. In construing these terms and variations thereof-e.g. validation, verification-the prosecution history embodies the patentee's responses to the Patent Office. In distinguishing the process of verifying or validating a transaction from prior patents in their petition to make special, Defendants' Appendix A, at 45 et seq, the applicants distinguished their

verifying process from the prior patents by noting that none of the prior patents "provid[ed] a validated electronic commerce transaction wherein a [UTID] is generated by the originator, and ultimately, the electronic commerce transaction and its associated identifier are returned to the originator to provide for validation of the ... transaction prior to completion of the transaction. Neither [do prior patents disclose] a process for returning the identifier to the originator by a transaction authority validating the identity of the originator and determining where to return the electronic transaction and identifier based on the validation." Id. at 51.

In the above description of the validating, verification process the terms "validating" and "verifying" and the variations thereof should be construed to mean: "The process used for comparing the UTID generated by an originator and the amount of the transaction to confirm the identity of the originator and the transaction related thereto." The parties also submit competing proposed definitions of the term "validation status" as it appears in Claim 1, step 4. *See* '678 patent, Plaintiffs' Appendix A at 13:6-7. Read in context with the preceding three steps, i.e. Id. at 12:59 to 13:5, the term "validation status" should be construed to mean: "That step in the process of authenticating an electronic commerce transaction in which the originator confirms to the transaction administrator the validity of the transaction based on the unique transaction identifier (UTID)."

The parties disagree on how the terms "to" and "from" appearing in the patent should be construed. Plaintiffs essentially argue that "to" should be construed as "in a direction toward", while Defendants submit that the term should be modified by the term "directly" meaning that any transmission which involves the term "to" should exclude any transmission-other than through internet routers-which does not go *directly* to the transmission receiver (recipient). Similarly they argue the transmission "from" one to another must be construed to mean "directly from." Defendant's arguments are unpersuasive and these terms-"to" and "from" should be given their generally understood and customary meanings.

The parties further assert conflicting views on how terms appearing in independent claims 1, 11, 15 and 50 should be construed.

With respect to claim 1 the parties conflict on their proposals as to how the term "notifying" should be defined in construing its meaning. *See* Plaintiffs' Appendix A at 13:3-5. Read in context with the meaning of the term "validation status" as set out above "notifying should be construed to mean: "Giving notice to". FN1

FN1. The term or phrase "based on the originator identifier" should be in accordance with the parties' stipulated claims constructions. *See* Joint Claim Construction Statement filed August 6, 2004, at Part 3.d at page 7.

The parties join issue on the meaning to be given to the term "both" in claim 11 as it appears in 13:51-54. Defendants also raise an issue with respect to an ambiguous term appearing at line 54, to wit: the term "translation." In their brief Plaintiffs observe that the term is "an obvious typographical error." Brief at page 25, n. 18. However, it is well established that courts may not redraft claims whether to make them operable or to sustain their validity, even when the absence of redrafting may produce a nonsensical construction of the claim as a whole. *E.g. See* *Chef America, Inc. v. Lamb-Weston, Inc.*, 358 F.3d 1371, 1373-74 (Fed.Cir.2004). While neither party suggests how the term "translation" should be defined, it is clear that no commonly accepted definition of the term is synonymous with the term "transaction." *E.g. See Merriam-*

Webster's Collegiate Dictionary, 10th ed. (2001) at 1250. FN2

FN2. Where claims are susceptible to only one reasonable interpretation and that interpretation results in a nonsensical construction of the claim as a whole, the claim must be invalidated." *Process Control Corp. v. Hydrex Corp.*, 190 F.3d 1350, 1357 (Fed.Cir.1999).

Plaintiffs contend that the term "both" as it appears in claim 11 should be construed to exclude a requirement that the originator and the transaction administrator individually and separately validate all three data sources. Such an interpretation is inconsistent with the language used in the fourth step set out under independent claim 11, i.e. at lines 51-54, *supra*. Therefore the phrase "if the unique transaction identifier, the originator identifier and *translation* data are validated by both the originator and the transaction administrator" should be construed to require that both the originator and the transaction administrator validate the unique transaction identifier, the originator identifier and the *translation* data (Emphasis added). *See* discussion, *supra*, regarding the term "translation."

With respect to independent claim 15 issue is joined on two grounds, to wit: Defendants' claim that the use of a UTID is a necessary element of the method of providing electronic commerce and Defendants' claim that the phrase "said request" appearing in the claim is ambiguous. *See* 14:1-3.

It is undisputed that claim 15 does not explicitly embody a requirement that a UTID be used. Plaintiffs argue that it would be improper to limit claim 15 by reading into it the use of a UTID, citing *Liebel-Flarsheim Co. v. Medrad, Inc.*, 358 F.3d 898, 904 (Fed.Cir.2004). On the other hand "[t]he prosecution history gives insight into what the applicant originally claimed as the invention, and often what the applicant gave up in order to meet the Examiner's objections." *Lemelson v. General Mills, Inc.*, 968 F.2d 1202, 1206 (Fed.Cir.1992). Further "[t]he prosecution history (or file wrapper) limits the interpretation of claims so as to exclude any interpretation that may have been disclaimed or disavowed during prosecution in order to obtain claim allowance." *J.T. Eaton & Co. v. Atlantic Paste and Glue Co.*, 106 F.3d 1563, 1565 (Fed.Cir.1997).

The prosecution history of the case not only relates to the functions of the Patent Office Examiner, but also publishes to the public the terms and specification of the patent. *E.g. see Digital Biometrics, Inc. v. Identix, Inc.*, 149 F.3d 1335, 1347 (Fed.Cir.1998).

In the prosecution of the application for the '878 patent, in their Petition to Make Special (*See* Exhibit E to Defendants' Appendix A at 45, et seq.), the applicants in distinguishing the scope of their patent from previously issued patents noted that:

"The pending claims of the present application clearly define over the [prior patents]. None of the [prior patents] whether considered alone or whether considered in any reasonable combination thereof, disclose, teach, suggest or render a method for providing a validated electronic commerce transaction wherein *a unique transaction identifier* is generated by an originator, and ultimately, the electronic commerce transaction and its associated identifier are returned to the originator to provide for validation of the electronic commerce transaction prior to completion of the transaction." (at 51) (Emphasis added).

The parties cite a line of cases in which the prosecution histories informed the construction to be applied to patents. The case of *Northern Telecom, Ltd. v. Samsung Electric Company*, 215 F.3d 1281 (Fed.Cir.2000) is

illustrative of the position asserted by Plaintiffs, while *Elkay Mfg. Co. v. EBCO Mfg. Co.*, 192 F.3d 973 (Fed.Cir.1999) is a principal case on which Defendants rely.

Although as a general rule the claims of a patent are not limited to the preferred embodiment, unless by its own language the petition to make special relies on the specific element to distinguish the claims asserted from the prior art, and while the Petition to Make Special, *supra*, filed relative to the instant patent does not purport to exclude additional elements, it also makes clear that the presence of a unique transaction identifier is a necessary element to the applicant's claims which distinguish them from the prior art. FN3 Therefore, the materials before the court support a construction of claim 15 which requires the utilization of a unique transaction identifier.

FN3. It is also noteworthy that in the summary of the invention, the utilization of a unique transaction identifier was prominently noted as a method for minimizing the potential for fraud. 3:23-41.

Accordingly the phrase "verifying if the originator generated the payment transaction" appearing in claim 15 at 14:12-13 should be construed to mean:

"the originator must determine that the originator generated the payment transaction by comparing (a) the unique transaction identifier that has been returned to the originator with (b) a particular transaction with a record of unique transaction identifiers maintained by the originator."

Defendants' assertion that the phrase "said request" appearing in the first step (element) of claim 15 (14:2) is ambiguous and indefinite relies on a contorted construction of the term, divorced from the common understanding of its meaning within the context of the first step, and therefore is rejected.

For the reasons stated above claim 15 does not teach that the originator's response must be a "yes" or "no" answer.

With respect to the term "payment transaction" appearing in the first step (element) of claim 15, *supra*, Plaintiffs argue that it should be construed as equivalent to the term "purchase transaction" which appears elsewhere in the claims, while Defendants contend that the modifiers "payment" and "purchase" appearing with the word "transaction" should be given separate and distinct constructions. The magistrate judge agrees with the Plaintiffs and further believes that there is no occasion to define or construe either in light of the ordinary and customary meanings which apply.

Further the parties seek a construction of the phrase "Associating a unique transaction identifier with the electronic transaction" appearing at the second step (element) of independent claim 50 (17:6-8). The court should construe this phrase to mean:

"The party originating the transaction connecting or linking up the unique transaction identifier created by the originating party to the transaction."

Finally, Defendants seek findings by the court that certain terms appearing in the claims are so indefinite that the court should find the claims in which such terms appear to be invalid. *See* Defendants' responsive brief at Part G.para.para. 1 through 10 at pages 34-38. The magistrate judge has previously addressed Item G.2, *supra*.

As to the remaining contentions advanced by Defendants, the magistrate judge is of the opinion that they are without merit, except for Item G.3. In claim 11 (13:39-54), the first three steps (elements) in claim 11 begin with the term "requesting." Step one makes clear that the originator is requesting the recipient (merchant) to provide goods or services through an electronic medium. However, neither steps two or three identify the party who is requesting information thus rendering each of these steps ambiguous and indefinite.

RECOMMENDATION:

For the foregoing reasons it is recommended that the District Court apply the following construction of terms as they pertain to United States Patent 5,903,878 (the "878" patent):

1. The court should construe those terms and phrases which appear in the patent to which the parties have stipulated the meanings thereof in accordance with the parties' Joint Claim Construction Statement filed on August 6, 2003, at Part 3. Stipulated Claim Constructions at pages 6-9.
2. The court should construe the term "originator" as it appears in the patent to mean "A party who originates the transaction for exchanging information documents or for initiating a payment via an electronic check or a payment transaction for goods and services from a recipient."
3. The court should construe the terms "electronic commerce" and "electronic commerce transaction" as they appear in the patent to mean "a sequence of one or more related electronic transmissions that facilitate the purchase of and payment for goods and services between an originator and a recipient."
4. The court should construe the term "unique transaction identifier (UTID)" as it appears in the patent to mean "information which specifically identifies an individual transaction initiated by an originator."
5. The court should construe the terms "validating" and "verifying" and the variations thereof as they appear in the patent in the context of the verification process to mean "the process used for comparing the UTID generated by an originator and the amount of the transaction to confirm the identity of the originator and the transaction related thereto."

It is further recommended that with respect to certain of the independent claims set out in the '878 patent that the District Court apply the following construction of terms and the following findings:

1. Independent claim 1. The court should construe the term "notifying" as it appears in this claim to mean "giving notice to ."
2. Independent claim 11.
 - a. The court should find that the use of the term "translation" as it appears in this claim renders the said claim indefinite and therefore invalid as a matter of law pursuant to 35 U.S.C. s. 112 para. 2. *E.g., see Cardiac Pacemakers, Inc. v. St. Jude Medical, Inc.*, 296 F.3d 1106, 1113 (Fed.Cir.2002).
 - b. The court should find that the term "requesting" as it appears in steps two and three of this claim is ambiguous and indefinite in failing to identify or specify which party to the electronic commerce transaction is required to initiate the request, rendering this claim invalid pursuant to 35 U.S.C. s. 112 para. 2.

c. In the alternative, if the court does not find claim 11 invalid on the basis of indefiniteness, the court should construe the phrase "if the unique transaction identifier, the originator identifier and translation data are validated by both the originator and the transaction administrator" should be construed to require that both the originator and the transaction administrator validate the unique transaction identifier, the originator identifier and the *translation* data. (Emphasis added).

3. Independent claim 15. The court should construe the phrase "verifying if the originator generated the payment transaction" appearing in the said claim to mean "the originator must determine that the originator generated the payment transaction by comparing (a) the unique transaction identifier that has been returned to the originator with (b) a particular transaction with a record of unique transaction identifiers maintained by the originator."

4. Independent claim 50. The court should construe the phrase "Associating a unique transaction identifier with the electronic transaction "appearing in the said claim to mean "The party originating the transaction connecting or linking up the unique transaction identifier created by the originating party to the transaction.

It is further recommended that as to the remaining terms or phrases which appear in the '878 patent, that the District Court apply definitions consistent with their customary and generally understood meanings.FN4

FN4. In their Opening Brief Regarding Claim Construction Issues Plaintiffs seek construction of additional terms and phrases to which Defendants have not objected. Whether a construction of the same is necessary or whether the same should be afforded their customary and generally understood meanings are deferred to the District Court for determination.

A copy of this recommendation shall be transmitted to counsel for the parties.

NOTICE

In the event that you wish to object to this recommendation, you are hereby notified that you must file your written objections within ten days after being served with a copy of this recommendation. Pursuant to *Douglass v. United Servs. Auto Ass'n*, 79 F.3d 1415 (5th Cir.1996) (*en banc*), a party's failure to file written objections to these proposed findings of fact and conclusions of law within such ten-day period may bar a *de novo* determination by the district judge of any finding of fact or conclusion of law and shall bar such party, except upon grounds of plain error, from attacking on appeal the unobjected to proposed findings of fact and conclusions of law accepted by the district court.

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