

United States District Court,
S.D. Florida.

INSURED DEPOSITS CONDUIT, LLC,
Plaintiff.

v.

INDEX POWERED FINANCIAL SERVICES, LLC, et al,
Defendants.

No. 07-22735-CIV

Feb. 28, 2008.

Gerald J. Houlihan, Houlihan & Partners PA, Jose Ignacio Rojas, Rojas Law Firm LLP, Miami, FL, for Plaintiffs.

Jacqueline Becerra, Greenberg Traurig, Miami, FL, Michael A. Nicodema, Greenberg Traurig, New York, NY, for Defendants.

ORDER ON MARKMAN HEARING

URSULA UNGARO, District Judge.

THIS CAUSE is before the Court upon the Markman Hearing, held in this Court on Friday, February 8, 2008 at 10:00 a.m. The parties filed Initial Claim Construction Briefs on January 18, 2008 (D.E. 41 & 42) and Responses on January 25, 2008 (D.E. 45 & 46). In response to an order from this Court, the parties also filed a Joint Pre-Hearing Stipulation on February 6, 2008 (D.E.56). After the Markman Hearing, the parties filed supplemental briefs regarding the construction of the claim element "ownership interest" on February 15, 2008 (D.E. 62 & 63).

THE COURT has considered the parties' filings and the pertinent portions of the record and is otherwise fully advised in the premises. By way of background, Defendants applied for a patent on November 15, 2004. (Compl.para. 12.) During the time that Defendants' patent application was pending, Plaintiff developed a product for the securitization of Certificates of Deposit. (Compl.para. para. 1-2.) Plaintiff claims that Defendants sent letters both to Plaintiff and its projected business partners on November 28, 2005 and February 6, 2006, in which they threatened litigation based on Plaintiff's product's alleged infringement of their pending patent. (Compl.para.para. 57-64.) Plaintiff did not (and does not) believe that its product infringes Defendants' patent. (Compl. para.para. 3, 15 .) Plaintiff claims, however, that from the time of Defendants' letters, Plaintiff has been unwilling and unable to financially exploit its product because it and its potential business partners have been cowed by Defendants' threats of litigation. (Compl.para.para. 35, 42, 44-47.) Defendants' patent was issued on April 17, 2007 under U.S. Patent No. 7,206,761 (the "Patent"). (Compl.para. 12.) Plaintiff filed the subject Complaint on October 16, 2007 (D.E.1), seeking (1) a declaratory judgment that it has not infringed the Patent and that the Patent is invalid and (2) damages based on Defendants' alleged tortious interference with Plaintiff's business relationships. (Compl.para.para. 40, 66.) On December 20, 2007, Defendants filed a Counterclaim against Plaintiff for infringement of the Patent. (See D.E. 33.) The Court held a Markman Hearing on February 8, 2008 in order to construe certain disputed portions of the claims in the Patent.

LEGAL STANDARD

In a case involving patents, claim construction is a matter of law exclusively within the province of the Court. *Markman v. Westview Instruments, Inc.*, 517 U.S. 370, 116 S.Ct. 1384, 134 L.Ed.2d 577 (1996). "The duty of the trial judge is to determine the meaning of the claims at issue and to instruct the jury accordingly." *Exxon Chem. Patents, Inc. v. Lubrizoil Corp.*, 64 F.3d 1553, 1555 (Fed.Cir.1995) (internal citations omitted). "Claims of the patent define the invention to which the patentee is entitled the right to exclude." *Phillips v. AWH Corp.*, 415 F.3d 1303, 1312 (Fed.Cir.2005) (*en banc*) (internal citations omitted). "Because the patentee is required to 'define precisely what his invention is,' it is 'unjust to the public, as well as an evasion of the law, to construe it in a manner different from the plain import of its terms.' " *Id.* (internal citations omitted).

Words of a claim are generally given their ordinary and customary meaning. *Id.* The "ordinary and customary meaning of a claim term is the meaning that the term would have to a person of ordinary skill in the art in question at the time of the invention." *Id.* at 1313.

Analyzing "how a person of ordinary skill in the art understands a claim term" is the starting point of a proper claim construction. *Id.* A "person of ordinary skill in the art is deemed to read the claim term not only in context of the particular claim in which the disputed term appears, but in the context of the entire patent, including the specification." *Id.*

When a claim term has a particular meaning in the field of art, the court must examine those sources available to the public to show what a person skilled in the art would have understood disputed claim language to mean. *Id.* at 1314. Those sources "include 'words of the claims themselves, the remainder of the specification, the prosecution history, and extrinsic evidence concerning relevant scientific principles, the meaning of technical terms, and the state of the art.' " *Id.* (internal citations omitted). "[T]he ordinary meaning of claim language as understood by a person of skill in the art may be readily apparent even to lay judges, and claim construction in such cases involves little more than the application of the widely accepted meaning of commonly understood words." *Id.* In these instances, a general purpose dictionary may be helpful. *Id.* However, "the specification 'is always highly relevant to the claim construction analysis. Usually it is dispositive; it is the single best guide to the meaning of a disputed term.' " *Id.* at 1315 (quoting *Vitronics Corp. v. Conceptronic, Inc.*, 90 F.3d 1576, 1582 (Fed.Cir.1996)). A court is authorized to review extrinsic evidence, such as dictionaries, inventor testimony, and learned treatises, but their use should be limited to edification purposes. *Phillips*, 415 F.3d at 1317, 1319.

Claim terms take on their ordinary and accustomed meanings unless the patentee demonstrated "clear intent" to deviate from the ordinary and accustomed meaning of a claim term by redefining the term in the patent specification. *Johnson Worldwide Assoc., Inc. v. Zebco Corp.*, 175 F.3d 985, 990 (Fed.Cir.1999). The patentee may deviate from the plain and ordinary meaning by characterizing the invention in the prosecution history using words or expressions of manifest exclusion or restriction, representing a "clear disavowal" of claim scope. *Teleflex, Inc. v. Ficoso N. Am. Corp.*, 299 F.3d 1313, 1327 (Fed.Cir.2002). The intrinsic evidence, namely the patent specification and the prosecution history, may clarify whether the patentee clearly intended a meaning different from the ordinary meaning or clearly disavowed the ordinary meaning in favor of some special meaning. *See Markman v. Westview Instruments, Inc.*, 52 F.3d 967, 979-80 (Fed.Cir.1995) (*en banc*), *aff'd*, 517 U.S. 370, 116 S.Ct. 1384, 134 L.Ed.2d 577 (1996). When a patentee clearly intended to be his own lexicographer, the "inventor's lexicography governs." *Phillips*, 415 F.3d at 1316.

ANALYSIS

The Patent, by its very terms, consists of methods and systems for the securitization of certificates of deposit. It was issued with 21 claims to the invention, with three of those claims—Claims 1, 8, and 15—

recognized as independent claims. The parties initially disputed seven claim elements, but they were able to agree on definitions for two of those claim elements prior to the Markman Hearing. (*See* Joint Pre-Hearing Stip. 1-2.) One additional disputed claim element was identified at the Markman Hearing, and the parties were subsequently given time to brief such issue.

The first agreed-upon term is "bankruptcy remote," as such term is used in Claims 1, 8, and 15 of the Patent. The parties have stipulated to, and the Court adopts, the following definition of "bankruptcy remote" in the context of the phrases in which it appears, such that: "Each of the first and second funding certificate issuers is ... bankruptcy remote from each other" means that *the first and second funding certificate issuers maintain a sufficiently independent legal status such that if either the first or second issuer goes into bankruptcy, the other issuer will not necessarily go into bankruptcy as a result.* (*See id.* at 1.)

The second agreed-upon term is "limited recourse obligation" as that term is used in Claims 1, 8, and 15 of the Patent. The parties have stipulated to, and the Court adopts, the following definition of "limited recourse obligation" in the context of the phrases in which it appears, such that: "The first [second] funding certificate is a limited recourse obligation by the first [second] funding certificate issuer" means that *recourse for payment on the first funding certificate is limited to the particular first funding certificate issuer that issued the funding certificates, as opposed to other issuers, persons or entities.* (*See id.* at 1-2.)

At the Markman Hearing, the Court heard testimony from both parties on the following five disputed claim elements: (1) the preamble phrase of "A method implemented by a programmed computer system;" (2) "forming a first (second) funding certificate issuer;" (3) "investor;" (4) "the assets comprise at least one of the following: at least one CD from each of the plurality of seller banks and proceeds from a sale of the funding certificate;" and (5) "offering to purchase." FN1 Additionally, based on the arguments made at the Markman Hearing, the Court permitted the parties to submit briefs regarding the construction of one final disputed claim element: "ownership interest." The Court shall visit each of these disputed terms in turn.

FN1. Because the disputed claim elements appear in exactly the same language in each of Claims 1, 8, and 15, the Court's construction of each of the disputed claim elements shall apply for such claim element's appearance in each of Claims 1, 8, and 15.

First, the parties dispute whether the preamble phrase "A method implemented by a programmed computer system" should be construed as part of each of Claims 1, 8, and 15. Whether a preamble to a claim requires construction depends on whether the preamble language limits the language found in the claim itself. "[A] preamble simply stating the intended use or purpose of the invention will usually not limit the scope of the claim, unless the preamble provides antecedents for ensuing claim terms and limits the claim accordingly." *Boehringer Ingelheim Vetmedica, Inc. v. Schering-Plough Corp.*, 320 F.3d 1339, 1345 (Fed.Cir.2003) (internal citations omitted). "Whether to treat a preamble as a claim limitation is determined on the facts of each case in light of the claim as a whole and the invention described in the patent." *Storage Tech. Corp. v. Cisco Sys., Inc.*, 329 F.3d 823, 831 (Fed.Cir.2003).

Defendants maintain that the preamble is not a limitation of the Patent's claims and, thus, requires no construction. (Markman Tr. 13:6-9.) Plaintiff, however, claims that the Patent's preamble should be construed as a limitation on Claims 1, 8, and 15 because (1) the body of the claim derives antecedent basis from the preamble; (2) the Patent's preamble does not merely state a general purpose or the intended use; and (3) the preamble phrase "implemented by a programmed computer system" is used repeatedly throughout the specification. (*See* Markman Tr. 9:5-10:9; 10:25-11:8); *see also* *Bell Communications Research, Inc. v. Vitalink Communications Corp.*, 55 F.3d 615, 620-21 (Fed.Cir.1995).

With respect to its antecedent argument, Plaintiff first contends that the use of "a computer" in the Patent's claims (*see* Patent, at 39:21) is ambiguous and constitutes improper claim drafting (*see* Markman Tr.

10:11-20; 23:21-24:2). Plaintiff then argues that had the claims been properly drafted, the claims would have stated "the computer" because of the antecedent usage of "computer" in the preamble. (*See id.* at 24:3-6.) The Court, however, is not persuaded by Plaintiff's rather anfractuous logic. As Plaintiff notes in its initial brief, the semantics of proper claim construction drafting require that the first time that a term appears in a claim it must be preceded by an indefinite article (i.e. "a") and every subsequent appearance must be preceded by a definite article (i.e. "the"). (*See Pl.'s Br. 7*); *see also* Manual of Patent Examining Procedure, Section 2173.05(c). Thus, the fact that Defendants used an indefinite article before "computer" in the Patent's claims accords with their argument that the preamble does not provide an antecedent for any term in the claims. Plaintiff's antecedent argument requires the Court to rewrite the claim language, transforming "a computer" into "the computer," to render the preamble an antecedent to the Patent's claim language—something that the Court may not properly do. *See K-2 Corp. v. Salomon S.A.*, 191 F.3d 1356, 1364 (Fed.Cir.1999) ("Courts do not rewrite claims; instead, we give effect to the terms chosen by the patentee").

Next, Plaintiff claims that the preamble should be construed as a limitation on the Patent's claims because it does not merely state a general purpose or the intended use but instead explains how the invention will be implemented. (*See Markman Tr. 9:19-10:3.*) However, even assuming, without deciding, that the Patent's preamble does more than state a general purpose or the intended use, such fact by itself would not be sufficient to mandate that the preamble be construed as a claim limitation. The Federal Court has stated that if the claims themselves fully set forth the invention and the preamble offers no distinct definition of any of the invention's limitations, then the preamble is of no significance to claim construction. *See Pitney Bowes, Inc. v. Hewlett-Packard Co.*, 182 F.3d 1298, 1305 (Fed.Cir.1999). In this case, the claims of the Patent fully recite the claimed invention without resorting to the preamble, and the preamble does not offer a distinct definition of any of the invention's limitations. The phrase "implemented by a programmed computer system" does not specify a limitation on the Patent because Claims 1, 8, and 15 all already state such limitation, given that they require that the recording of the acceptance of the offer from each of the plurality of seller banks must occur on a computer. (*See Patent*, at 38:56-57; 40:21-22; 41:35-36.) The Patent does not state anywhere that any other steps must be implemented by a computer, and the preamble phrase "implemented by a programmed computer system" does not indicate otherwise, as "implemented," utilizing its ordinary meaning, could refer to just one crucial step in the invention. (Markman Tr. 22:2-13.)

Finally, Plaintiff points to the fact that the preamble phrase "implemented by a programmed computer system" appears repeatedly throughout the specification as support for its contention that the preamble should be construed as a limitation on the Patent's claims. (*See Markman Tr. 10:25-11:8.*) The Court disagrees. While a patent's claims should be read consistently with the specification, the Court may not import limitations from the specification into the claims. *See Phillips*, 415 F.3d at 1323. Thus, the inclusion of "implemented by a programmed computer system" in the specification can easily be read in consistently with the Patent's claims. As is reasoned above, such phrase does not necessarily apply to every step of the Patent's claims, and construing the phrase in such a manner would constitute an importation of a limitation from the specification into the body of the claims. Moreover, the specification itself makes clear that not all steps in the Patent's claims must be implemented using a computer. (*See Patent*, at 37:62-38:7.) Thus, because the Court must read the language of the specification consistently with the claims, *see Phillips*, 415 F.3d at 1323, the Court cannot find that all steps of the Patent's claims must be implemented through a computer. Accordingly, the Court finds that the preamble does not act as a limitation on the claims of the Patent and, hence, declines to construe the preamble.

The next claim element for consideration is "forming a first (second) funding certificate issuer." Plaintiff contends that because (1) each of the aforementioned "issuers" must be a limited liability company and (2) a limited liability company is an entity authorized and created by the Secretary of State of a particular state, the process of forming a first or second funding certificate issuer must be initiated by a person or entity and completed by the Secretary of State for a particular state. (*See Pl.'s Br. 13-14*; Markman Tr. 25:25-27:1.) Defendants do not dispute that the formation of a limited liability company necessarily involves interaction with and cooperation by a state's Secretary of State, but argue instead that the Court should be wary of

Plaintiff's construction because it involves reading parts of state limited liability company acts into the claim, which it claims is unwarranted in this situation. (Markman Tr. 27:6-28:5.)

The Court finds, though, that no construction of the claim element "forming a first (second) funding certificate issuer" is necessary. The Court's main concern is to ensure that the language of the claim is intelligible to one ordinarily skilled in the art at the time of the invention. *See Phillips*, 415 F.3d at 1312-13. If the disputed language meets this test, then no further construction is necessary. The fact that forming a limited liability company in a particular state pursuant to such state's Limited Liability Company Act FN2 involves interaction with the Secretary of State of that state is obvious to one of ordinary skill in the art and does not need to be read into the claim. (*See Markman Tr. 29:4-16.*) As such, the Court declines to construe the claim element "forming a first (second) funding certificate issuer" because it believes that the given language is intelligible to one ordinarily skilled in the art. *See Phillips*, 415 F.3d at 1312-13, (Markman Tr. 29:25-30:9, 30:14-16.)

FN2. The Court notes that, while the laws governing the formation of the limited liability companies vary from state to state, each state has passed a Limited Liability Company Act pursuant to which limited liability companies can be formed.

Third, the parties dispute the meaning of the term "investor." Defendants contend that "investor" means any person or entity purchasing the funding certificates. Plaintiff does not dispute that an "investor" can be any person or entity with sufficient money to make the investment, including financial institutions. (Pl.'s Resp. 11; Markman Tr. 31:21-25.) However, Plaintiff argues that the money invested in the funding certificates must be "owned" by the investor and specifically seeks to exclude trusts from the definition of "investor." (*See Pl.'s Resp. 11; Markman Tr. 30:19-25; 31:15-16.*) Plaintiff bases his reasoning on the fact that each of the independent claims in the Patent states that "investor has an ownership interest in the first funding certificate." (*See Patent*, at 38:44-46; Markman Tr. 31:15-19.) The Court agrees with Plaintiff that the investor must have an ownership interest in the funding certificate, as the Patent explicitly states this requirement. (*See id.*) Additionally, the parties appear to agree that the term "investor" means an individual or entity who has an ownership interest. (*See Markman Tr. 36:19-37:9; 40:6-9.*) Thus, because such requirement is already spelled out in the Patent and the given language is intelligible for one of ordinary skill in the art, the Court does not believe that construction of the claim element "investor" is necessary and will decline to construe such claim element here. (*See Markman Tr. 33:19-20; 34:16-18; 35:5-8*); *see also Phillips*, 415 F.3d at 1312-13. However, because the parties dispute what constitutes an "ownership interest," the Court shall construe such term below.

Next, the Court turns to the claim element "the assets comprise at least one of the following: at least one CD from each of the plurality of seller banks and proceeds from a sale of the funding certificate." Plaintiff argues that this element requires the aforementioned assets to include both (1) at least one CD from each of the plurality of seller banks and (2) proceeds from a sale of the funding certificate. (Pl.'s Resp. 13.) Defendants do not appear to dispute that the assets must include both of these items, but they maintain that "comprise" is open-ended and indicates that the assets may include, in addition to the cited items, other tangible and intangible assets. (*See Defs.' Markman Hrg. Presentation at Slide 19; Markman Tr. 55:24-56:4*) Defendants submit that the Patent's specification includes a list of other possible tangible and intangible assets that may comprise the assets in question. (*See Patent*, at 16:27-65.) The Court also notes that Plaintiff does not appear to deny that "assets" can include other tangible and intangible assets so long as the two listed items are also included. (*See Markman Tr. 60:4-21.*) As such, the Court finds, especially considering that the parties appear to agree, that the claim element in question-"the assets comprise at least one of the following: at least one CD from each of the plurality of seller banks and proceeds from a sale of the funding certificate"-means that ***the assets comprise at least one CD from each of a plurality of seller banks and proceeds from a sale of the funding certificate, and may also include other tangible and intangible assets owned by the first funding certificate issuer, including, without limitation, investments,***

reserve accounts, insurance policies, and lines of credit, held in the name of or for the benefit of the funding certificate issuer.

The fifth claim element that the parties have asked the Court to construe is "offering to purchase." Defendants claim that "offering to purchase" means that the first funding certificate issuer, through one or more authorized employees, agents, representatives, or entities acting on its behalf, makes an offer to purchase. (*See* Defs.' Markman Hrg. Presentation at Slide 20; Markman Tr. 63:18-64:2.) Plaintiff does not dispute that the act of offering to purchase may be accomplished either by the first funding certificate issuer directly or on its behalf by its agent, but maintains that the offering cannot be undertaken by a third party, such as a trustee. (Markman Tr. 61:19-62:10; 65:11-15.) In support of their argument, Defendants point to the definition of "manager" in the specification, claiming that the fact that the manager can be a separate company which can undertake duties on behalf of the funding certificate issuer means that the manager could be a trust. (*See* Markman Tr. 69:17-70:13; Patent, at 11:41-54.) However, given that the claim element in question does not even mention the word "manager," the Court has some difficulty seeing how this definition of "manager" sheds any light onto how such claim element should be construed. Further, there is nothing in the Patent, specification, or prosecution history that would indicate that Defendants intended, at the time the Patent was issued, to broaden the category of who may undertake the action of "offering to purchase" beyond the funding certificate issuer or its agent or representative. Thus, the Court shall construe the claim element in question in accordance with its ordinary and customary meaning. *See* Johnson, 175 F.3d at 990. The Court finds that the claim element "offering to purchase" means that ***the first (second) funding certificate issuer, either itself or through one or more authorized employees, agents, or representatives, makes an offer to purchase.***

Finally, the Court turns to the claim element "ownership interest." Plaintiff contends that "ownership interest" should be narrowly construed because such term was added to the Patent in order to distinguish the invention from the prior art and must have added something of a limiting nature to the original claims. (Pl.'s Supp. Br. 2-5.) Although slightly difficult to glean from Plaintiff's brief, Plaintiff appears to argue that such disputed claim element means that the investor must own the funding certificates personally and directly, not for the benefit of someone else. (*Id.* at 5.) However, the Court fails to see how Plaintiff's argument regarding amendment of the Patent's claim language, even if true, contributes to a finding that "ownership interest" requires personal and direct ownership. There is no indication from the file wrapper or the Patent application that the addition of "ownership interest" was intended to distinguish the Patent's invention from the prior art by clarifying that the funding certificates needed to be owned personally and directly by the investor. Nothing in the patent file indicates that the prior art included broader definitions of "ownership interest."

Instead, the Court shall adopt Defendants' construction of "ownership interest," which states that the funding certificate may be purchased directly by the investor or by a custodian or a trustee acting on the investor's behalf. (*See* Defs.' Supp. Br. 2.) Nothing in the claim language indicates otherwise, and the specification explicitly contemplates that an "Initial Purchaser" may purchase the funding certificates on behalf of one or more investors and keep records of such investors' ownership. (*See* Patent, at 27:35-67.) Construing "ownership interest" to allow purchases of funding certificates made on behalf of, but not directly by, investors accords with the plain language of Claims 1, 8, and 15. Each such claim merely requires the investor to have an ownership interest in the funding certificate; it does not require the investor to have made the purchase of the funding certificate himself. (*See* Patent, at 38:42-43; 39:7-8; 40:12-13; 40:44-45; 41:50-51; 42:23-24.) Had the Patent included such limitation, the claim language would have specified that the purchase of the funding certificate had to be accomplished by the investor himself.

Additionally, it is important to note that ownership can take many forms under the law. Ownership may be complete or incomplete, special, general and special, reputed, legal or equitable, legal and nominal, or equitable and beneficial, perfect or imperfect, and there may be quasi ownership. E.g., *Blumenfield v. U.S.*, 306 F.2d 892, 899 (8th Cir.1962). The plain language of the Patent and the specification does not put any

limitation on the form of ownership that may be embodied in an "ownership interest" or on the method by which such ownership interest may be acquired, except as is explicitly stated in the Patent. Hence, the Court finds that the claim element "ownership interest" means that ***the investor has at least partial ownership of the first [second] funding certificate; the first [second] funding certificate may be issued directly to the investor or to another acting on the investor's behalf; and the first [second] funding certificate may be purchased by the investor directly or by one or more persons or entities acting on the investor's behalf.*** Accordingly, it is hereby

ORDERED AND ADJUDGED that the disputed claims of U.S. Patent No. 7,206,761 are construed in accordance with the above Order.

DONE AND ORDERED in Chambers at Miami, Florida, this 27th day of February, 2008.

S.D.Fla.,2008.

Insured Deposits Conduit, LLC v. Index Powered Financial Services, LLC

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