

United States District Court,
E.D. Texas, Lufkin Division.

GRANTLEY PATENT HOLDINGS, LTD. (a Texas Limited partnership),
Plaintiff.

v.
CLEAR CHANNEL COMMUNICATIONS, INC., et al,
Defendants.

Civil Action No. 9:06CV259

April 21, 2008.

Lawrence Louis Germer, Charles W. Goehringer, Jr., Germer Gertz, Beaumont, TX, Brenda L. Joly, Cyrus A. Morton, Emmett J. McMahon, Jennifer G. Daugherty, Ronald J. Schutz, Sarah E. Hudleston, Robins, Kaplan, Miller & Ciresi, Minneapolis, MN, for Plaintiff.

Jerry Lynn Beane, Tonya Michelle Gray, Andrews Kurth, LLP, Dallas, TX, Aldo Noto, Andrews Kurth, LLP, Washington, DC, Ronald Casey Low, Andrews Kurth, LLP, Austin, TX, for Defendants.

SUPPLEMENT TO CLAIM CONSTRUCTION ORDER

RON CLARK, District Judge.

I. Introduction

At the *Markman* stage of this case, Clear Channel submitted an entire paragraph of claim 14 of the '691 patent to the court for construction without identifying any word or phrase within this seventy-eight word paragraph that lacked a clear meaning. FN1 As part of a twenty-nine page order, which construed ten claim terms, the court declined to rewrite the patent by construing this entire paragraph [Doc. # 91].

On the third day of trial, Clear Channel's counsel asked Grantley's expert Barbara Frederiksen the meaning of a particular phrase in that paragraph, namely "the effect of each customer order on pricing is taken into account before a price quote for a subsequent customer order is generated." Based on the previous direct testimony of Ms. Frederiksen, those documents already admitted which described the use of the accused system, the fact that Clear Channel's counsel asked Ms. Frederiksen about this phrase in claim 14, and the court's review of Clear Channel's expert report the night before, it became evident that Ms. Frederiksen and Clear Channel's expert Tipton Cole disagreed about the meaning of that phrase.

This particular phrase had not been submitted for construction. Neither side objected to having an expert define the claim term, although it is one which the court had thought was clear on its face. Nevertheless, it appears from a recent decision by the Federal Circuit that a district court is now required to take action *sua sponte* in such a situation to prevent reversible error, even when neither side raises an objection or preserves

the perceived error at trial in any other way. *See 02 Micro Int'l Ltd. v. Beyond Innovation Tech. Co., Ltd.*, 521 F.3d 1351, 2008 WL 878924 (Fed.Cir. Apr.3, 2008). Accordingly, the court supplements its Claim Construction Order to define the phrase.

II. Analysis

At the claim construction stage, Clear Channel asked the court to construe the fourth paragraph of claim 14 of the '691 patent. *See Doc. # 51, Ex. A*, at p. 4. Rather than requesting that any particular phrase in this paragraph be construed or asserting that the meaning of any word or phrase was unclear, Clear Channel submitted the seventy-eight word paragraph in its entirety to the court. This was only one of several verbose submissions. In its January 8, 2008 Order, the court noted that:

A troubling aspect of this case is the submission by Clear Channel of entire paragraphs of certain claims for construction when there was really no dispute over the meaning of any particular word or term. The court expects the parties and their attorneys to limit the terms they ultimately submit for construction to those that might be unfamiliar or confusing to the jury, or which are unclear or ambiguous in light of the specification and patent history. *See United States Surgical Corp. v. Ethicon, Inc.*, 103 F.3d 1554, 1568 (Fed.Cir.1997); *Orion IP, LLC v. Staples, Inc.*, 406 F.Supp.2d 717, 738 (E.D.Tex.2005)("although every word used in a claim has a meaning, not every word requires a construction."). One hopes this was not merely an effort to pollinate the record with alleged error. Claim interpretation does not consist of defining a step in a claim by restating other limitations that are spelled out elsewhere in the claim. In spite of protestations of "confusion" from one side or the other, the court construes a claim from the point of view of the artisan of ordinary skill, not from the vantage point of the hyper-technical grammarian, who can not quite grasp the meaning of "is" in a particular context.

Claim Construction Order of January 8, 2008, at pp. 7-8 [Doc. # 91]. With respect to claim 14 of the '691 patent, the court stated that Clear Channel "did not seem to be seeking a definition of a particular word or term," and that the court "will not enter an advisory opinion delineating all of the systems and methods that are not described by the claims ... Likewise, the court will not undertake to rewrite paragraphs of claim language in a patent." *Id.* at p. 14.

Shortly before trial in this case commenced, the Federal Circuit issued its opinion in *02 Micro*. One of the claim terms in that case required an action to occur "only if said feedback signal is above a predetermined threshold." *02 Micro*, 521 F.3d 1351, 2008 WL 878924 at * 4. The district court declined to construe "only if" because it "has a well-understood definition, capable of being applied by both the jury and this court." *Id.* At trial, the meaning of the "only if" phrase was disputed by the parties, and they presented contradicting evidence on this point.

On appeal, the Federal Circuit held that because the "only if" phrase affected the scope of the claim, the district court was required to construe the term. *Id.* at * 7-8. The court found that the error was preserved, even though the Defendants did not object at trial to the failure to instruct the jury after evidence had been submitted, because the district court had finally disposed of the issue during the *Markman* hearing some eight months earlier. *See id.* at *8-9.

It is possible that the holdings in *02 Micro* are limited to the precise facts and procedural posture of that case. But until that is confirmed by a future holding, this court must consider two (perhaps unintended) consequences of the decision.

First, the *02 Micro* opinion can be read as requiring the district court to construe even those terms with a well-understood and ordinary meaning at the *Markman* stage if any party claims they are in dispute and alleges that the terms affect claim scope. While the mere words "claim scope" may not yet have acquired the status of a magical incantation, only the most naive would believe that competent counsel and a well-paid expert could not make a plausible presentation at trial that almost every word of a claim affects its "scope." FN2

The second problem is the holding that error at trial is preserved by a brief submitted for the *Markman* hearing, which, in modern practice, usually occurs months before trial.FN3 Most trial judges do not invite endless attempts to rehash pretrial rulings. At the same time, where evidence has been admitted that affects a prior holding, and especially when there has simply been an earlier failure to rule, trial counsel should be required to bring it to the court's attention at trial. *See* Fed.R.Evid. 103(a)("Once the court makes a *definitive ruling* on the record admitting or excluding evidence, either at or before trial, a party need not renew an objection or offer of proof to preserve a claim of error for appeal.")(emphasis added); *Micro Chemical, Inc. v. Lextron, Inc.*, 317 F.3d 1387, 1391 (Fed.Cir.2003)(using Fifth Circuit law to find that where the district court reserved its ruling on Defendants' pre-trial motion in limine, Defendants were required to object at trial in order to preserve their right to appeal).

As a practical matter, many pre-trial rulings become irrelevant as issues are narrowed during discovery and as evidence is presented at trial. Counsel knows where they are going with their case and what is important at the time of the charge conference. In a modern complex patent case, each party is represented by a veritable legion of attorneys, usually including appellate specialists, who are well able to determine when changed circumstances or newly admitted evidence will justify a request for reconsideration of a ruling or the renewal of an objection. It is difficult for a judge, usually assisted only by the lone law clerk assigned to the case, to remember which of the rulings made in the months, or even years, leading up to trial might be affected by the testimony or exhibits the parties finally decide to introduce at trial. FN4

In the present case, Clear Channel did not separately submit the phrase in question for construction, nor did it object to the court's decision not to construe the paragraph which contained the phrase. Clear Channel did not submit a motion to reconsider focusing on the precise phrase in question. At trial, Clear Channel's counsel began asking Grantley's expert, Ms. Frederiksen, the meaning of the previously undefined phrase. One might think that any possible error was invited by Clear Channel, and, in the absence of a later objection, it would not be able to complain. *See Harris Corp. v. Ericsson, Inc.*, 417 F.3d 1241, 1258 (Fed.Cir.2005)("A party invite[s] an alleged error either by asking the trial court to make a ruling, the result of which the same party later challenged on appeal, or by failing to present cognizable arguments or evidence in favor of its position to the trial court."). Given the expenditure of judicial resources involved in a patent trial, and perhaps more importantly, the length of time that a panel of citizens will devote to jury service, the holdings in *02 Micro* make risky the continued assumption that trial counsel are required to bring a claim of potentially reversible error to the attention of the judge at trial.

For these reasons, the court took the unusual step of interrupting Clear Channel's cross-examination of Ms. Frederiksen, excusing the jury, and inviting argument on the meaning of the phrase "the effect of each customer order on pricing is taken into account before a price quote for a subsequent customer order is generated." Grantley was obviously at some disadvantage, as *Markman* briefing is not usually the first thing on the mind of an attorney in the middle of a hotly contested trial. If a phrase had to be construed, however, it seemed fairest to do so while experts for both sides could state their opinions on infringement and

invalidity in light of that construction.

The phrase in question is found in claim 14 of the '691 patent as follows:

a system for recalculating pricing data with the yield management system in a manner consistent with the pricing strategy implemented by the yield management system so that price changes caused by a change in available inventors [sic] can be taken into account, wherein the recalculating system is configured to operate with sufficient frequency such that the effect of each customer order on pricing is taken into account before a price quote for a subsequent customer order is generated.

On its face, the claim language requires that "the effect of *each* customer order on pricing is taken into account...." That does not allow for a system in which some customer orders are not taken into account. Further, the claim requires that each customer order is taken into account " *before* a price quote for a subsequent customer order is generated." Ordinary usage of the English language would not lead one to the conclusion that this allows for some unspecified number of price quotes to be generated after a customer order is placed and before that order is taken into account.

Turning to the '691 patent specification to determine whether it sheds light on the proper way to construe the phrase, the patentee stated that the inventory management system includes:

a process for recalculating pricing data with the yield management system in a manner consistent with the pricing strategy implemented by the yield management system **so that the effect of each customer order on pricing is taken into account before a price quote for a subsequent customer order is generated.** Where each of the price forecasting system, yield management system, and traffic billing system are separate software modules, data passes automatically between these systems so that **updating of the related data files containing inventory and order information is completed prior to the next use of the system in response to the next customer request. However, a slight delay in updating may also be acceptable** because the impact of any one transaction on the overall pricing strategy is not usually great.

'691 patent, col. 4, ll. 7-24(emphasis added). Additionally, the '691 specification states: "There is, therefore, a need for a system that can improve pricing accuracy by providing automatic updating of the pricing forecast, so that in an optimum state the effect of each order on the pricing forecast is taken into account before the next order is placed. The present invention addresses this need." '691 patent, col. 2, ll. 62-67.

Clear Channel had argued that the "slight delay" situation is not a preferred embodiment because it is directly contrary to the "optimum state" as stated in col. 2, ll. 62-67; in other words, Clear Channel suggested that the claim should be limited to "real time" where the recalculating must take place before the next customer order is generated. The court explicitly rejected that argument, stating that the specification does allow for an embodiment in which a "slight delay" is acceptable and that col. 2, ll. 62-67 does not support Clear Channel's argument because "optimum" is not the same thing as "required or necessary." Absent any clear disclaimer of claim scope, the court would not import limitations from the specification into the claims.

At the same time, the court rejects Grantley's argument that the word "subsequent" in claim 14 means "anything that comes after." Reading the claims in light of the specification, the patentee intended the invention to address the perceived need for a system which would improve accuracy by providing automatic updating of the pricing forecast system. *See* '691 patent, col. 2, ll. 62-67. Construing "subsequent" as

broadly as Grantley suggests would directly contradict what the patentee explicitly stated the purpose of the invention to be. The court will therefore construe this term as follows:

"The effect of each customer order on pricing is taken into account before a price quote for a subsequent customer order is generated" means: "prior to providing a customer with a quote for advertising spots during a particular period of time, the system will take into consideration the prior orders for spots to be used during that same period of time. The system may incorporate, or be subject to, a slight delay so that orders which come in just before the customer's quote is generated are not considered."

III. Conclusion

The jury shall be instructed in accordance with the court's interpretation of this term in claim 14 of the '691 patent.

So **ORDERED**.

FN1. Reference is made in this Order to the court's January 8, 2008 Claim Construction Order [Doc. # 91], which identifies and describes the patents-in-suit, as well as summarizing the arguments briefed by the parties during the claim construction phase of this case.

FN2. Another result of the *02 Micro* holding may be to render nugatory court-imposed limitations on the number of claims and claim terms which may be submitted by the parties for construction. *See, e.g.*, Local Rules for the Northern District of California, Rule 4-1(b)("The parties shall also jointly identify the 10 terms likely to be most significant to resolving the parties' dispute, including those terms for which construction may be case or claim dispositive.") and Rule 4-3. Limiting the number of claim terms for construction is often the most effective means of focusing the parties and the court on the terms which will be most important in the suit, as well as providing a way for the court to manage its crowded docket. Requiring the court to either allow the parties to submit an unlimited number of "disputed" terms or risk having to retry the case (even though neither party objects at trial) is a lose-lose situation.

FN3. For example, in the case at bar, the *Markman* hearing occurred in October 2007, while trial commenced six months later.

FN4. Grantley's complaint was filed in November 2006. By the time the trial began seventeen months later, the court had entered a *Markman* order and disposed of one motion to compel [Doc. # 35]; one motion for sanctions [Doc. # 45]; one motion for a protective order [Doc. # 85]; one motion to strike [Doc. # 125]; one motion to exclude an expert witness [Doc. # 126]; six motions in limine [Docs. # 144, 146, 149, 150, 151, 153]; and two omnibus motions to exclude exhibits and deposition designations [Docs. # 165, 166]. This case was well-presented by competent counsel who avoided rancor and needless disputes. In a patent case this court tried two months ago, the parties requested pre-trial rulings on no fewer than forty motions and objections, which, together with responses and attachments, comprised hundreds of thousands of pages. Additionally, these were not the only cases tried, let alone disposed of by motion, during the same two months.

E.D.Tex.,2008.

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