

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

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STANACARD LLC,

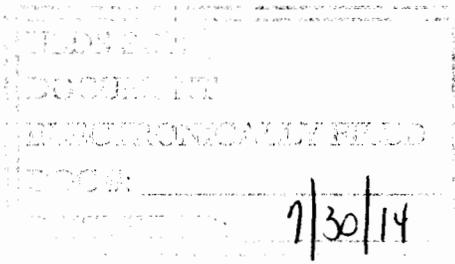
Plaintiff,

12 Civ. 5176 (CM)

-against-

RUBARD, LLC d/b/a CENTMOBILE,
ALEKSANDR PALATKEVICH,
ARTUR ZAYTSEV & ALEXANDER
DZERNEYKO,

Defendants.



x

MARKMAN CLAIM CONSTRUCTION

McMahon, J.:

The Court, for its construction of disputed claim terms pursuant to *Markman v. Westview Instruments, Inc.*, 517 U.S. 370 (1996):¹

Introduction

This claim construction opinion issues in the wake of two prior decisions of two respected federal judges—my esteemed colleague Robert S. Sweet and The Hon. James Ware of the Northern District of California—construing the same claims in other lawsuits involving patentee Stanacard. See *Stanacard, LLC v. Rebtel Networks, AB*, 680 F. Supp. 2d 483 (S.D.N.Y. Jan. 6, 2010) (“*Rebtel*”); *Jajah Inc. v. Stanacard, LLC*, 2010 WL 1838970 (N.D. Cal. May 3, 2010) (“*Jajah*”). As often happens, Judges Sweet and Ware did not always agree on their claim construction in their near-simultaneously issued decisions.

I have reviewed both precedents carefully and considered the arguments of the parties in their claim construction papers. I adopt as my description of the patent (U.S. Patent No. 7,346,156 (“the ‘156 Patent”)) the description used by Judge Sweet, which I reproduce here for the convenience of the reader:

¹ I apologize to the parties for the inordinate length of time between the submission of their claim construction papers and the issuance of this decision.

The '156 Patent is entitled "Methods and Apparatuses for Placing a Telephone Call" and involves technology designed to simplify and reduce the cost of making long distance and international calls. Calling cards have traditionally been utilized to allow callers to place telephone calls at a lower rate than calls placed using traditional telephone companies. However, using calling cards requires dialing several numbers, including a toll free number, a pin number, and the number of the party the caller is trying to reach.

The '156 Patent describes a system of making reduced-cost long distance or international calls while only requiring a caller to remember and dial a single local telephone number. This local telephone number, along with the telephone number from which a call is made, is associated with a recipient's telephone number. As a result, a caller dialing the local telephone number is connected to the recipient as if the caller had dialed the recipient's actual telephone number. For instance, a caller in New York City could be provided or select the telephone number (212) 555-2222 to call his mother in England, the recipient at 011 44 1 11 11 11 11. When the caller dials (212) 555-2222, the caller is connected to his mother in England.

In order to make such a design economically feasible, the system is designed so that callers share the local telephone numbers provided to place their calls. As a result, many different users use the same dial-in number (such as (212) 555-2222) to reach their respective recipients. The system is able to connect each caller to the correct recipient because the recipient's number is selected based on both the telephone number from which the call is being made and the dialed telephone number.

Rebtel, 680 F. Supp. 2d at 487.

Collateral Estoppel Does Not Bar Anyone from Litigating the Meaning of These Terms; Neither Does Any Prior Decision of Any Court Dictate This Court's Claim Construction.

Stanacard has previously litigated the meaning of many of the disputed claim terms—not once, but twice, before two different courts—and has achieved two different results in *Markman* proceedings that were held virtually simultaneously back in 2009-2010. Defendants urge that collateral estoppel bars Stanacard from relitigating the meaning of terms as construed by Judge Ware (whose constructions were, on the whole, more favorable to Defendants); Stanacard takes the position that it cannot relitigate terms that were construed by Judge Sweet (whose

constructions were, on the whole, more favorable to Plaintiff). Both parties rely on this Court's decision in *TM Patents LP v. IBM Corp.*, 72 F. Supp. 2d 370 (S.D.N.Y. 1990).

The problem, of course, is that this case presents a fact pattern with which I was not confronted in *TM Patents*. Here, we had two virtually simultaneous *Markman* proceedings that yielded disparate results—with Judge Ware obviously not believing himself bound by Judge Sweet's ruling, which was first in time, though by a matter of just a few months. Stanacard, which was a party to both cases and had a full and fair opportunity to litigate in both cases, cannot be estopped by conflicting claim constructions, and since the *Markman* proceedings in the two cases proceeded simultaneously, there is no basis to assume that one case is preclusive while the other is not. Ideally, the differences in construction between the two courts would have been resolved on an appeal from a judgment in one or both cases, but both cases settled shortly after the claim construction decisions issued, which means (under New York law, anyway) that the cases are not preclusive as to anything decided therein.

In these circumstances, I do not believe that collateral estoppel bars Stanacard from litigating anything, or that this Court is bound by either of the prior decisions. And while I have carefully considered the reasoning of both of my esteemed colleagues, I do not consider myself bound by either prior decision.

The following claim terms are disputed:

“Telephone Number”

Difficult though it be to imagine how there could be any dispute over what a telephone number is, the parties have managed to manufacture one.

Judge Sweet, recognizing that “telephone number” is a simple and widely used term, and that the inventors gave no indication that it should be used otherwise than as commonly understood, concluded that the jurors should give the term “telephone number” its plain and ordinary meaning. In so doing, he rejected a request that the term be defined to mean “a series of alphanumeric characters, that may vary in length, used to route telephone calls.” *Rebtel*, 680 F. Supp. 2d at 493.

Judge Ware construed the term to mean “a sequence of numbers or a sequence of signals associated with the sequence of numbers that can be used by a device that is in a telephone network to initiate or to receive a telephone call,” which he described as “the customary and ordinary meaning” of the term (indeed, he took that definition from a standard, non-technical dictionary). *Jajah*, 2010 WL 1838970, at *4.

Stanacard, here adopting the position it took in both prior lawsuits, asks that the Court direct the jury to apply the plain and ordinary meaning of the phrase “telephone number” to the

term. Defendants insist that it be construed as “a series of alphanumeric characters used to route telephone calls.”

This is all a tempest in a teapot. Indeed, as far as I am concerned, the plain and ordinary meaning of “telephone number” IS “a series of alphanumeric characters used to route telephone calls.”

Defendants’ suggestion that persons skilled in the art would understand the term differently than I would, or than the average juror would, is entirely unsupported by anything in the patent itself. The pages and pages in Defendants’ overly long claim construction brief about purportedly unresolved questions that result from Judge Sweet’s “plain and ordinary meaning” construction—such as “How many numbers constitute a telephone number? Does it include an area code? A country code? A three digit code like 911, 411, or 311? A speed dial code? An inter-office extension?”—are designed to create ambiguity where there is absolutely none, and to sow jury confusion where, for once, it is all but impossible to imagine that there could be any.² Contrary to Defendants’ allegation, I see nothing in the patent or in anyone’s papers to suggest that Stanacard is trying to limit the term “telephone number” to an eleven digit number (1+ area code + seven digits). On the contrary, the term “telephone number” as used in the patent is plainly used to describe both domestic and foreign telephone numbers, the latter of which are not necessarily eleven digits long at all!

By the same token, by arguing that Defendants’ proposed definition introduces “additional terms” (such as “series,” “alphanumeric,” and “characters”) into the widely-used and well known phrase “telephone number,” Stanacard suggests that a telephone number can be something other than what those of us who have used telephones all our lives understand telephone numbers to be: a series of characters that are dialed (or punched, or spoken, or otherwise input) into a telephonic device in order to connect us with someone or something to whom we wish to speak. In this regard, I fear I disagree with Judge Sweet. Stanacard also objects to the use of the phrase “route telephone calls” in the definition of telephone number, claiming (unconvincingly) that a jury might be confused if it had to figure out what the purpose of assigning a discrete number to a particular user of telephonic services might actually be.

I appreciate that courts ordinarily decline to construe terms expressed in ordinary words used in their ordinary sense, because “any further definition or paraphrasing would serve no

² Jurors are unlikely to be confused, but since Defendants seem to be in some doubt about what a telephone number is: a country code or an area code, standing alone cannot be a telephone number as that term is commonly understood, because dialing a country code or an area code without more will not route a telephone call to a recipient; more numbers must be input. Such codes may be part of a “telephone number,” but they are not “telephone numbers.” By contrast, 911, 411 and 311 ARE telephone numbers, because dialing those numbers WILL connect the caller to someone. Speed dial and inter-office extensions have nothing to do with the patent in suit, which claims a methods and apparatus for placing *long distance and international calls*, not inter-office calls. This illustrates Defendants’ propensity for raising utterly unpersuasive straw man arguments.

useful purpose.” *WIMCO, LLC v. Lange Industries, Inc.*, No. 06 Civ 35565, 2007 WL 4461629, at *4, 12 (D. Minn. Dec. 14, 2007). But since the parties insist on making an issue out of something as simple as the definition of “telephone number, I will tell the jury that “the term telephone number is to be given the meaning I am sure all of you assign to it—it is the series of characters, whether letters or numbers, that you ‘dial’ (or input in some manner) into a telephonic device when you place a telephone call, and that route the call to its intended recipient.” The term is used no differently anywhere in the patent, and it is perfectly obvious that no special meaning is assigned to the phrase that would be mysterious to the average juror while being clear to one skilled in the art.

“[Receiving an] Assigned Incoming Telephone Number”

I, like my predecessor Judge Sweet, reject Defendants’ contention that this term is indefinite because it does not specify whom or what does the assigning or indicate to whom or what the number is assigned. I adopt Judge Sweet’s reasoning on this point. *Rebtel*, 680 F. Supp. 2d. at 493.

Stanacard contends that the term to be construed should be “assigned incoming telephone number” and that it should be defined to mean “telephone number correlating to a recipient assigned to initiate calls into the system.” That is the definition of the term that was given by Judge Sweet. *Id.* at 494.

Defendants originally argued that the term to be construed was “receiving an assigned incoming telephone number,” and defined the term as “receiving a telephone call that was initiated by the dialing of a telephone number that is pre-assigned to users of the method.” That is the definition that was given to the term by Judge Ware. *Jajah*, 2010 WL 1838970, at *5.

Frankly, there is precious little to choose between Judge Ware’s and Judge Sweet’s definitions; they seem to me to say exactly the same thing in different words. I do agree with Judge Ware that the patentee is acting as something of a lexicographer here, because one does not ordinarily speak of “receiving an incoming telephone number,” but rather of “receiving an incoming telephone call.” *Id.* at *4. But Stanacard admits that this term was intended to refer to “an act of receiving a telephone call,” (Stanacard Responsive Claim Construction Br. at 4), and I will take Plaintiff at its word.

I try not to use words like “correlated” in claim term definitions—even though the word is used frequently in the specification—because I then find myself having to define the definition. I prefer claim constructions that use the simplest words possible. Judge Ware recognized that the number is “assigned” to users of the method described in the patent. When one “assigns” something to someone, one give someone that thing.

I will, therefore, tell the jury that “receiving an assigned incoming telephone number” means “getting a telephone call from a telephone number that has been assigned—given—to a person who places calls using the patented system.”

“[Identifying a] Recipient”

As Judge Ware noted, the “recipient” is identified in the patent itself as being “associated with the assigned incoming telephone number and the identity.” I agree with Judge Ware that the “recipient” is the communication/telephonic device that is called by the assigned incoming telephone number. While the average juror probably thinks of both the “caller” and the “recipient” of telephone calls as human beings (I call my husband; he is the intended recipient of my call), in fact it is the device associated with a particular telephone number that receives the call—which could be answered by the human being to whom the caller wishes to speak, or by some other person, or for that matter by an answering machine or voicemail service. So it is appropriate to speak of the telephonic device that is called as the “recipient” of any given phone call, and to define “identifying a recipient” as determining what particular telephonic device is to be called. *Jajah*, 2010 WL 1838970, at *9.

I will tell the jury that the “recipient” is the telephonic device that receives a call from an assigned incoming telephone number.

“[Identifying a Recipient] Associated with [the Assigned Incoming Telephone Number]”

Neither side suggests that “identifying” requires definition.

“Associated with” means having some sort of relationship with. In the context of the ‘156 patent, the intended recipient of a particular telephone call has some sort of relationship or association with the assigned incoming telephone number. That is made clear by the specification, which repeatedly refers to the “correlation” between the recipient and the assigned incoming telephone number. Correlation is a measure of association.

Therefore, I am inclined to agree with Judge Sweet that “associated with” means exactly what it says, and should be given its plain and ordinary meaning. *Rebtel*, 680 F. Supp. 2d. at 495.

However, I agree with Defendants that this “association” between the recipient and the assigned incoming number must have been made prior to the placing of the telephone call—that is to say, it is “an association previously made.” I see nothing in the patent that requires that the association have been made by the caller—or, put otherwise, nothing that precludes the patent from embracing associations previously made by, say, a telephone service provider. But someone must have created the association between the recipient and the assigned incoming telephone number before the recipient is “identified” within the meaning of Claim 1 of the patent.

With all respect to Judge Ware, the convoluted definition he devised for this term would, in my opinion, utterly confuse the average lay juror—and the purpose of the *Markman* exercise is to come up with definitions that lay jurors can comprehend.

I will, therefore, tell the jury that this phrase means “identifying a recipient—as I have previously defined that term for you—that has previously been associated with the assigned incoming telephone number.”

“Wherein said caller has a plurality of assigned incoming telephone numbers to choose from”

This, too, is fairly straightforward. “Plurality” is a term I always define for jurors, because it is pure “patentese”—it means “more than one.” I will tell the jury that this phrase means the caller has more than one assigned incoming telephone number from which he can choose when placing a call.

“Without input of further data by said caller”

In the ‘156 patent, the context for this phrase is as follows:

[W]herein each assigned incoming telephone number is associated with multiple recipient telephone numbers, a particular telephone number of a recipient being determined solely by a particular assigned incoming telephone number used by a particular identified caller *and without input of further data by said caller*.

As Judge Sweet observed, both parties concur that once the claimed system knows both the caller’s identity and the assigned incoming telephone number, the caller need not enter any additional information into his telephonic device (whether by dialing, pressing buttons, or speaking) order to reach his intended recipient. *Rebtel*, 680 F. Supp. 2d. at 495-96. The italicized phrase means that the caller does not need to input any codes or other telephone numbers in order to reach his intended recipient, even though any given assigned incoming telephone number can be associated with many different recipients. The key to the invention’s usefulness is the fact that the particular identified user is the one dialing the assigned incoming telephone number; there is a 1:1 correspondence between a particular caller’s use of any given assigned incoming telephone number and being connected with his intended recipient and no one else.

As a result, I see no need for any convoluted definition of the phrase “without input of further data by the caller.” Indeed, I can think of no better way to describe the essence of the invention. I will tell the jury to give this phrase its plain and ordinary meaning.

“Whereby said caller is not required to be within a particular network for making calls”

Stanacard argues that this term should be given its plain and ordinary meaning in light of the specification and the file history; Defendants urge that the term is insolubly ambiguous and invalid because the patent fails to define with sufficient specificity what constitutes a “network.” Defendants also argue that Stanacard “contradicts the laws of electricity and the principles of telecommunications” because assigning this claim term its plain and ordinary meaning means that the caller need not be connected to any network in order to make a phone call. (Defendants’ Claim Construction Brief at 19.)

In *Jajah*, Judge Ware, agreeing with the Defendants in his case (who made the same argument), concluded that this language *might* render Claim 1 (and all dependent claims) indefinite, because the patent fails to define with sufficient specificity what constitutes a “network.” *Jajah*, 2010 WL 1838970, at *13. Judge Sweet rejected the same argument in *Rebtel*, concluding that the language required no construction because, read in the context of the specification’s disclosures, it established an exclusion from the claimed material—namely, any system that restricts the call to a specific network, of any type, when dialing the assigned incoming telephone number and placing a call into the claimed system. In essence, he ruled that the claim could not be indefinite since no “network” was claimed. *Rebtel*, 680 F. Supp. 2d. at 496.

Judge Sweet was, in my opinion, correct. This is another of Defendants’ straw man arguments.

The fact that one must be connected to some sort of telecommunications network in order to complete a telephone call is not contradicted by this claim language, as Defendants argue, because the claim term does not indicate that the caller can be disconnected from any and every telecommunications network and still place a phone call. Rather, it says that the caller is not required to be connected to any particular network in order to utilize the claimed system. That is to say, in order to utilize the system, the caller (and this claim language imposes a limitation only on the caller) can be calling from a device that is connected to any one of the myriad telecommunications networks in existence. The specification makes it clear that the caller may use a variety of calling devices—land lines, cellular telephones, satellite telephones—and be in a variety of calling networks when placing the call—*e.g.*, a local area network, a home network, the internet, a telephone network—it makes absolutely no difference to the workings of the claimed invention. The caller is not required to be in any particular network in order for the invention to do what it is supposed to do. ‘156 patent 2:22-26. Indeed, the patent specifies that the caller may “utilize any telephone within a general geographic area to complete the telephone call.” *Id.* 1:29-30.

Nothing in the plain meaning of a term that does not require a caller to be in any *particular* network is contradicted by the statement by Stanacard’s attorney that the caller has to be in *some* network in order to complete a phone call. (*See* Defendants’ Claim Construction Br.

at 22.) And the only argument that “defies logic” is Defendants’ argument that a telephone call cannot be completed unless both the caller and recipient are in the “same network”—were that so, I could not complete a call from my cell phone (which is on the Verizon network) to my husband’s office phone (which is on the AT&T network).

Judge Sweet’s understanding of the meaning of this claim term parallels mine and, I believe, correctly captures what a person skilled in the art would understand as well from reading the patent in its entirety. The term will be defined to exclude the requirement that the caller place his call from any particular network in order to access the claimed system—plain and ordinary meaning.

“A local calling area of the caller”

As Defendants did not brief this, they appear to have abandoned their initial claim that this term is indefinite. In any event, it is not indefinite, as Judge Sweet held. I agree that this term means “a calling area where a caller does not incur long distance or toll charges when making a call.” *Rebtel*, 680 F. Supp. 2d. at 497.

“Originating telephone number assigned to the caller”

Defendants argue that this term means “telephone number preprogrammed by the caller to correlate to the caller.” Put otherwise, and more simply, this term refers to the caller’s telephone number. I will so state to the jury.

Means-plus-function terms

A claim setting forth a means of performing a specified function “shall be construed to cover the corresponding structures, material or acts described in the specification and equivalents thereof,” 35 U.S.C. § 112, ¶ 6, as long as such claims point out and distinctly claim the subject matter of the invention. *Id.* ¶ 2. Furthermore, only the corresponding structure that is described in the specifications may be claimed. Therefore, when construing a means-plus-function claim, courts first identify the function of the claim, and then “identify the structure corresponding to that function.” *Micro Chem., Inc. v. Great Plains Chem. Co., Inc.*, 194 F. 3d 1250, 1258 (Fed. Cir. 1999).

The parties include several means-plus-function disputed claim terms:

Means for detecting an identity of a caller

Means for receiving an assigned incoming telephone number

Means for identifying a recipient associated with the assigned incoming telephone number

Means for connecting the caller and the recipient.

Stanacard believes that the terms define themselves and so proposes no claim constructions. However, in its principal claim construction brief, Plaintiff—obviously anticipating an indefiniteness argument from Defendants—argued as follows: (1) these terms are not found in Claim 15 of the ‘156 Patent (as contended in Defendants’ Claim Construction Statement), but rather in Claim 14; (2) Claim 15 (which describes one particular modular structure implementing the system and method expressed in Claim 14, does not implicate the “means-plus-function” rule of § 112 ¶ 6 because, in the telecommunications field, use of the term “module” denotes “sufficient structure that that § 112, ¶ 6 is not invoked,” (Stanacard Claim Construction Br. at 8); and (3) Claim 14, viewed in the context of the specifications (which allegedly teach a number of structures or apparatuses for providing the various functions described in that claim), is not indefinite, for the reasons assigned by Judge Sweet in his opinion in *Rebel*.

Defendants do not discuss these purportedly disputed claim terms in their principal claim construction brief at all—neither proposing constructions nor arguing that the terms are indefinite—leading Stanacard to urge that Defendants be deemed to have abandoned any challenge to the meaning of these terms. (See Stanacard’s “Changes in Rubard’s Claim Construction Strategy,” Docket No. 38-1). That, of course, is perfectly in keeping with the principle that courts will not ordinarily consider arguments raised for the first time in a reply brief. *Estate of Ungar v. Palestinian Authority*, 451 F. Supp. 2d 607, 611 (S.D.N.Y. 2006).

However, Defendants do mention (briefly, in a single paragraph) the means-plus-function terms in their reply brief—arguing (for the first time) that the terms are indefinite because the ‘156 patent fails to disclose any steps or algorithm to carry out the step of identifying the caller. Defendant suggests that this is required because the alleged invention is computer-implemented, and cites without extended discussion *WMS Gaming, Inc. v. Intl’s Game Tech.*, 184 F. 3d 1339, 1349 (Fed. Cir. 1999) and its progeny.

Ordinarily I would follow the rule I embraced in *Ungar*. However, Judge Sweet ended *Rebtel* with an extended discussion of the very *WMS Gaming* argument that is belatedly (and insufficiently) embraced by Defendants in their reply brief. He rejected the argument, concluding that *WMS Gaming* did not control Stanacard’s invention because (1) the specification of the ‘156 patent discloses various types of modules and their equivalents as the corresponding structure; (2) modules are not general purpose computers in the telecommunications field—they are special purpose hardware devices or software components that are readily identifiable to persons skilled in the art—so *WMS Gaming* is not the correct precedent to be cited in connection with the subject invention; and (3) in any event, specific algorithms need not be disclosed to avoid indefiniteness where the function in question would be readily apparent to a person skilled in the art, as is the case here. *Rebtel*, 680 F. Supp. 2d. at 500-02.

I find Judge Sweet's reasoning persuasive. So rather than simply rule that Defendants are precluded from asserting any challenge to the means-plus-function terms because they failed to brief the issue, I will adopt Judge Sweet's reasoning as my own.

This constitutes the decision and order of the Court.

Dated: July 30, 2014



U.S.D.J.

BY ECF TO ALL COUNSEL