**Keywords:** **estoppel; waiver; procedural posture; preamble; claim construction; Markman hearing**

**General:**

1) **Knowledge of the accused product provides a "context" for claim interpretation.**
2) **The term 'a' means 'one or more' when used in a claim, including the preamble.**
3) **A party is not necessarily blocked from changing a position upon appeal.**

***Lava Trading Inc. v. Sonic Trading Management LLC***
78 U.S.P.Q.2d 1624 (Fed. Cir. 2006)
Decided April 19, 2006

## I. Facts

Lava Trading sued Sonic Trading Mgmt. and Royalblue (consisting of Royalblue Group PLC, Royalblue Financial Corp., and Royalblue financial PLC) for infringement of U.S. Patent 6,278,982 (the '982 patent). The plaintiffs counterclaimed for a declaratory judgment of invalidity, unenforceability, and non-infringement. After a *Markman* hearing, the district court issued a claim construction ruling from the bench and the infringing parties stipulated to final judgments of non-infringement. Lava Trading appealed the judgment of non-infringement. The appeal was certified by the trial court, even though the issues of invalidity and unenforceability had not yet been decided.

The '932 patent claims a software trading system that aggregates securities pricing information from various market systems into one screen on a single system, so that a trader can see all low and high bids for a security at one time. The pricing information allows a trader to take advantage of the liquidity in fast changing markets. During the *Markman* hearing on claim 9, Lava's counsel argued that the claim limitations "distributing" and "displaying" should be construed as applying to a single security. The district court rejected Lava's interpretation, and interpreted the terms in the claim to apply to "distributing" and "displaying" information on all securities in a combined order book. On the basis of this interpretation, the trial court issued a judgment of non-infringement.

After the hearing, Lava retained new counsel, who proceeded to argue upon a motion for reconsideration that the terms applied to one or more securities, as chosen by the traders. The district court rejected the motion for reconsideration without comment. Upon appeal, the defendants argued that Lava should be estopped from raising the new theory.

## II. Issues

A. Was the appeal proper without a decision on invalidity and unenforceability?

B. Should Lava Trading be blocked from asserting a new claim interpretation on appeal?

C. Was the district court's judgment of non-infringement correct?

## III. Discussion

A. Yes. The court noted that it is within the district court's authority under Fed. R. Civ. P. 54(b) to determine the appropriate point for review and the majority decided to accept the appeal.

The Federal Circuit noted that the procedural posture of the case was problematic. Although the district court had issued a judgment on non-infringement, the issues of invalidity and unenforceability had not yet



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been decided. The Federal Circuit felt that these issue were outside of the scope of the present appeal, but would be influenced by its decision. The court noted that when such substantial issues remain, the district court should finish deciding the issues prior to appeal. However, the Federal Circuit accepted the appeal, noting that Fed. R. Civ. P. 54(b) allows the trial court to determine when an appeal on an action is appropriate.

In a strongly worded dissent, Judge Mayer disagreed with the majority decision to take the appeal. He believed that since no final decision had been made on the other issues, the case should have been dismissed for lack of jurisdiction. Mayer noted that the incomplete record could lead to the claim construction issue being brought before the court again.

B. No. The Federal Circuit allowed Lava Trading to argue the alternate interpretation.

The defendants argued that in prior decisions, parties on appeal were prevented from substantially changing the scope of a position taken before a trial court. However, the Federal Circuit distinguished the prior cases, stating that judicial estoppel does not "normally" prevent a party on appeal from changing an unsuccessful position advocated before a trial court. The Federal Circuit went on to note that a party is estopped from changing a position successfully argued before a trial court, when the party is changing positions due to a change in interests.

Perhaps more importantly, the Federal Circuit noted that the change in this case made no practical difference in the outcome. The slight change in the theory did not affect the defendants' position or the evidence they were relying on. In response to both theories, the defendants claimed that the plaintiff's patent was limited to displaying all securities in an order book, as interpreted by the district court.

C. No. The Federal Circuit determined that the interpretation given claim 9 by the district court was flawed and reversed the judgment of non-infringement, remanding the case for further determinations.

On an initial note, the Federal Circuit pointed out that the intrinsic record contained no detail of the accused products. While noting that knowledge of the accused product is not required for claim interpretation, it provides a context for the interpretation. Without this factual knowledge, the court felt that the "appeal takes on the attributes of something akin to an advisory opinion on the scope of the '982 patent." *Lava*, 78 U.S.P.Q.2d 1625.

On the claim itself, the Federal Circuit believed that the district court's interpretation of the claim conflicted with the plain language of the claim. While the district court stated that the "distributing" and "displaying" terms in claim 9 applied to all securities in an order book, the Federal Circuit looked to the preamble of the disputed claim, which states "A data processing method for providing trading information to traders in a security or commodity from two or more alternate trading systems." The '982 patent, claim 9 (emphasis added).

The Federal Circuit noted that "a" generally means "one or more." Further, the Federal Circuit stated that embodiments disclosed in the specification adequately showed that the "distributing" and "displaying" limitations in the claim applied to a limited subset of "one or more securities."

For these reasons, the Federal Circuit decided that the district court's interpretation of the claim was not correct. Based on the claim construction, the Federal Circuit vacated the district court's judgment of non-infringement and remanded the case for further decision.



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