

**Keywords:** claim construction; willful infringement; inequitable conduct

**General:** The Federal Circuit does not give even the slightest amount of deference to district court claim constructions, even if based on substantial factual determinations; prompt redesign efforts and complete removal of infringing products in a span of a few months after the lawsuit commenced suggest that the infringer was not objectively reckless.

*Trading Techs. Int'l Inc. v. eSpeed Inc.*  
93 U.S.P.Q.2d 1805 (Fed. Cir. 2010)  
Decided February 25, 2010

## I. Facts

Trading Technologies International, Inc. (“TT”) is the assignee of U.S. Patent No. 6,772,132 and U.S. Patent No. 6,766,304. Both patents claim priority to a provisional application filed on March 2, 2000, and have similar specifications. The ‘132 patent and the ‘304 patent include claims to software for displaying the market for a commodity traded in an electronic exchange. The software’s graphical user interface includes a dynamic display for bids and asks in a market. Prior art trading displays showed the best bid price and the best ask price in fixed, predetermined grids that did not move in response to market fluctuations.

Claim 1 of the ‘132 patent:

1. A method of placing a trade order for a commodity on an electronic exchange having an inside market with a highest bid price and a lowest ask price, using a graphical user interface and a user input device, said method comprising:

setting a preset parameter for the trade order;

displaying market depth of the commodity, through a dynamic display of a plurality of bids and a plurality of asks in the market for the commodity, including at least a portion of the bid and ask quantities of the commodity, the dynamic display being aligned with a *static display of prices* corresponding thereto, *wherein the static display of prices does not move in response to a change in the inside market;*

displaying an order entry region aligned with the static display prices comprising a plurality of areas for receiving commands from the user input devices to send trade orders, each area corresponding to a price of the static display of prices; and

selecting a particular area in the order entry region through single action of the user input device with a pointer of the user input device positioned over the particular area to set a plurality of additional parameters for the trade order and send the trade order to the electronic exchange.

### *District Court Proceedings*

In 2004, TT sued eSpeed, Inc. (“eSpeed”), among others, alleging infringement of the ‘132 and ‘304 patents by eSpeed’s trading platform. After a claim construction hearing, the district court issued a claim construction order for the term “static.” In particular, the district court construed “common static price axis” as: a line comprising price levels that do not change positions unless a manual re-

centering command is received. The district court also construed “static display of prices” as: a display of prices comprising price levels that do not change positions unless a manual re-centering command is received.

After construction of the claims, eSpeed moved for summary judgment of noninfringement of TT’s patents for two of its accused products, Dual Dynamic and eSpeedometer. The district court granted eSpeed’s motion for summary judgment, finding that neither product literally infringed and that Dual Dynamic did not infringe under the doctrine of equivalents because finding otherwise would vitiate the claim element “static.” The district court also held that prosecution history estoppel precluded eSpeed from applying the doctrine of equivalents with regard to the eSpeedometer product.

During a subsequent jury trial, a third product, Futures View, was found to willfully infringe the patents-in-suit. The jury awarded TT \$3,500,000 in damages.

After the jury trial, the district court held a bench trial on inequitable conduct and ruled that TT did not engage in inequitable conduct by not disclosing certain materials to the PTO. The district court also vacated the jury’s finding of willfulness.

TT appealed the district court’s ruling and eSpeed cross-appealed.

## II. Issues

- A. Did the district court correctly construe the term “static”?
- B. Did the district court err in overturning the jury’s willfulness finding?
- C. Did the district court correctly determine that failure to disclose certain materials to the PTO did not constitute inequitable conduct?

## III. Discussion

- A. Yes. After a *de novo* review, the Federal Circuit upheld the district court’s claim constructions. Because eSpeed’s Dual Dynamic and eSpeedometer systems were found to have mandatory re-centering features, they were found not to literally infringe. The Federal Circuit noted that it “may not give any deference to the trial court’s factual decisions underlying claim construction.” Following *Markman v. Westview Instruments*, 517 U.S. 370 (1996), the Federal Circuit asserted that claim construction, while not purely a legal issue, is an issue for the court, not a jury. However, while conceding that *Markman* included several references to a factual component to claim construction, the panel also cited the holding of *Cybor Corp. v. FAS Techs., Inc.*, 138 F.3d 1448 (Fed. Cir. 1998) (en banc), which requires the Federal Circuit to review claim construction without any deference to the lower court.

In a concurring opinion, Judge Clark noted “that the current *de novo* standard of review for claim construction may result in the unintended consequences of discouraging settlement, encouraging appeals, and, in some cases, multiplying the proceedings.”

- B. No. The Federal Circuit pointed out that in *In re Seagate Technology, LLC*, 497 F.3d 1360, 1371 (Fed. Cir. 2007) (en banc), it held that “proof of willful infringement permitting enhanced damages requires at least a showing of objective recklessness” and that the patentee must also show that “the infringer knew or should have known of this objectively high likelihood.” Here, the Federal Circuit noted that the infringing product, Futures View, was redesigned immediately after

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the suit commenced in August 2004. By December 2004, a new product, Dual Dynamic, replaced Futures View on customer computers via a mandatory software update. Further, Futures View was sold to no new customers between August 2004 and December 2004. The Federal Circuit held that prompt redesign efforts and complete removal of infringing products suggested no objective recklessness and thus no willful infringement on the part of eSpeed.

- C. Yes. The district court held that TT did not engage in inequitable conduct by not disclosing the inventor's custom software to the PTO because the software was not material to the question of patentability. In September 1998, Harris Brumfield, one of the inventors of the patents-in-suit, hired TT to provide programming expertise to build trading software based on his idea. In mid-February 1999, TT delivered a "market depth trader workstation" to Brumfield. On March 2, 1999, Brumfield agreed to pay TT for the custom software. On March 2, 2000, Brumfield filed a provisional patent application. eSpeed argued that the activity related to the custom software after March 2, 1999 was material and should have been disclosed to the PTO. The district court found that TT relied on the March 2, 1999, date (one year before the provisional application filing) in good faith, and that TT did not need to disclose Brumfield's use of software past this priority date. The district court did not clearly err by finding that Brumfield's software was immaterial given that his use of the software after the priority date would not have changed the examiner's analysis of the patent.

The second issue was whether TT should have disclosed any pre-March 2, 1999, activities to the PTO. eSpeed argued that TT's arrangement with Brumfield was a "sale" of the custom software to Brumfield. However, the Federal Circuit determined that the arrangement was not a commercial transaction and that a reasonable examiner would not have regarded the arrangement as material to the issue of patentability. eSpeed also argues that TT should have disclosed Brumfield's testing of the custom software before March 2, 1999. Here, the court found that the district court did not clearly err by finding that a reasonable examiner similarly would not have regarded such experimental use as material. Accordingly, the district court did not abuse its discretion in finding that the TT did not engage in inequitable conduct.