RECENT DEVELOPMENTS IN INTELLECTUAL PROPERTY LAW

CHRISTOPHER A. BROWN

The period October 1, 2004 through September 30, 2005, saw several cases of interest to intellectual property owners and practitioners. The Indiana appellate courts issued several decisions in trade secret cases, and the Court of Appeals for the Federal Circuit issued its en banc patent claim construction decision. These and other cases are reviewed below.

I. TRADE SECRET CASES

A. Northern Electric Co. v. Torma

In Northern Electric Co. v. Torma, the trade secret issues centered around a compilation of data made by an employee, Torma, from information he found while working at Northern Electric. This case is an important study of the Indiana Court of Appeals’s view of the rights an employer has in intellectual property, particularly trade secret information, created by an employee.

According to the facts cited by the court, Northern Electric is a small business in South Bend of approximately thirty employees that in the 1980s extended its services to repairing servo motors. Torma became employed by Northern Electric in 1990, and in the mid-1990s, he was placed in charge of Northern Electric’s servo motor department. During Torma’s supervision of that department, servo motor repair services grew to account for about one-third of Northern Electric’s business.

The court then noted that Torma “assembled” repair data in a notebook “[a]s was his custom in previous positions.” Such data included “readings and settings,” apparently of the servo motors being repaired, observations that he made or that he obtained from the observations of other Northern Electric employees, as well as information received from manufacturers, other shops, manuals, service bulletins, and information available on the internet. He also directed other technicians to make similar records. After a period of time, Torma assembled the data into a word processing file on his home computer and kept

---

2. Id. at 420. The opinion explains briefly what a “servo motor” is and how it is different from conventional electric motors.
3. Id.
4. Id.
5. Id. The opinion is not clear as to whether this was Torma’s custom only in his prior position(s) at Northern Electric or if it was also his custom in prior employment outside of Northern Electric.
6. Id.
a copy on portable media (floppy disk or CD-ROM), which he kept locked in his toolbox at work or at his home. According to the court, Torma used the data in his work, and, although he allowed other employees to copy some of the data, he did not allow other technicians access to the entire data compilation.\(^7\)

In 2002, Northern Electric and Torma apparently disagreed on Torma's salary and responsibilities. Approximately at that time, Northern Electric sought to have Torma sign a non-competition agreement. Torma resigned and refused to return the data compilation he had created. He then began to work for a servo motor repair company that he had founded prior to resigning from Northern Electric.\(^8\) Northern Electric filed suit for trade secret misappropriation, among other things, but, after the bench trial, the trial court decided in favor of Torma. Northern Electric appealed, alleging that the trial court erred when it found that (1) Torma owned his data compilation, and (2) the compilation was not entitled to trade secret protection.\(^9\)

It is especially interesting to note the standard of review the court applied in this case. To prevail in its appeal of the negative judgment, Northern Electric had to demonstrate that "the evidence in the record, along with all reasonable inferences, is without conflict and leads \textit{unerringly} to a conclusion opposite that reached by the trial court."\(^10\) The court emphasized its duty to "affirm the trial court's decision if the record contains \textit{any} supporting evidence or inferences."\(^11\) That language suggests quite a tall order for the appellant, especially in such a fact-sensitive case as a trade secret claim. Whether the court properly adhered to that standard is up for debate, for as discussed below, it reversed the trial court.

The court's first substantive point of analysis concerned the ownership of the compilation Torma made. It considered the question of whether an employee owned a collection of data collected at the employer's premises but assembled on his own time an issue of first impression in Indiana.\(^12\) The court reviewed a variety of authority, including the Restatement (Third) of Unfair Competition, cases from the New York state courts, and a Florida federal court.\(^13\) On the foundation of the Restatement, the court of appeals established a rule for Indiana that in an employer/employee situation, the employee's "'assigned duties' is the decisive element, regardless of when the employee actually performs them."\(^14\)

\(\text{---}\)

\(^7\) Id.

\(^8\) Id.

\(^9\) Id. at 421. Other errors alleged included that the trial court erred when it found that the claims for conversion and breach of fiduciary duty were not proven.

\(^10\) Id. (emphasis added).

\(^11\) Id. at 421-22 (emphasis added).

\(^12\) Id. at 422.

\(^13\) Id. at 422-23 (citing RESTATEMENT (THIRD) OF UNFAIR COMPETITION § 42 cmt. e (1995); Pullman Group, LLC v. Prudential Ins. Co. of Am., 733 N.Y.S.2d 1 (App. Div. 2001); Merrill Lynch, Pierce, Fenner & Smith, Inc. v. Hagerty, 808 F. Supp 1555 (S.D. Fla. 1992), aff’d, 2 F.3d 405 (11th Cir. 1993)).

\(^14\) Id. at 423.
Two points are worth noting at this intermediate juncture. First, having some sharp recollections from law school of the relative scorn some have for the Restatement, it is surprising to this commentator that the court of appeals appeared to begin and end its reasoning there. Only two cases from other jurisdictions were cited by the court, one for its reference to the relied-on Restatement section, and one that was termed “instructive” though “decided on a slightly different scenario.” On topics in intellectual property, or at least having to do with unfair competition, it would appear that Indiana courts have no compunction about adopting the principles and verbiage of the Restatement of Unfair Competition. The second point concerns the subtle refocusing of the analysis. Although initially the question aimed at the principles of agency or scope of duties, as discussed below, it was timing and the type of information at issue that swayed the court.

Claiming that the trial court had not cited “any legal principle or authority for its conclusion,” the court of appeals restated three of the trial court’s findings, that court’s implicit rejection of the position that “data assembly” was part of Torma’s duties, and its own “firm conviction that a mistake was made.” “Overwhelming evidence,” said the court, “establishes that data compilation falls squarely within the scope of a servo motor repair technicians assigned duties.” Reciting particular evidence to support its conclusion, the court came to its own factual conclusions:

Every trial witness, including Torma, testified to the importance of collecting servo motor data in the course of performing repairs. Everyone acknowledges that the quality of the maintained data resulted in more efficient and rapid repairs in the future. Moreover, [plaintiff’s officer] testified that during several conversations with Torma, they investigated the possibility of making the data collection readily accessible to all employees in the servo motor repair department by storing it on the company’s server. The record reflects that Torma refused, pleading lack of time and computer illiteracy.

The court of appeals found that collecting data was important, that the collection of data improved future repair time, and that Northern Electric considered making Torma’s collection available to all repair personnel. There was no determination of actual job duties or scope of employment. Rather than focusing on the “assigned duties” of the employee as determined by a contract or a course of business, the court of appeals’s reasoning suggests that it took the quite expansive view that an employee’s duties include tasks or efforts that are beneficial to the employer in carrying out the general tasks for which the

15. Id.
16. Id. Recall the quite high standard for reversal stated by the court of appeals earlier in the opinion.
17. Id.
18. Id. at 424.
19. Id.
Further, the effect of the facts presented may have been overstated. Taking for granted that a technician must observe the digital data available in a failed servo motor in order to diagnose its failure and to fix it, one is not surprised to hear that witnesses testified to the importance of obtaining servo motor data. Collecting such data, much as a doctor may collect patient data or a lawyer may collect contract examples, will certainly make a technician more efficient. Additionally, if an employer sees a good idea of an employee, it is only good sense to try to implement that idea or system to other employees. However, these pieces of evidence do not speak to the “assigned duties” of the employee.

Perhaps the most troubling aspect of this part of the case is the short shrift given to the traditional notions that (1) an employee owns his own work, absent an agreement to the contrary, and (2) that an employee is free to take the experience and knowledge he or she has amassed to his or her next position. The court of appeals acknowledged the first point in its adoption of the Restatement position, effectively saying that notion does not apply when the employee is acting within the scope of employment. Nonetheless, assuming a relative disparity in negotiating strength in favor of an employer as against an employee, equity makes a strong case that the “scope of employment” should be narrowly drawn, rather than including essentially any act that improves the employee’s tasks. It should not be taken for granted that one’s “assigned duties” include making those duties easier. As to the second point, the court failed to discuss whether an employee has the right to take experience and knowledge he has amassed when it considered the question of ownership of the compiled data. In this author’s view, that is a significant and somewhat ominous omission. One could categorize an employee’s experience and knowledge gained in a given field as a compilation of data that makes him or her better at that job. This court of appeals opinion, taken to that extreme, seems to cast significant doubt on the employee’s accepted right to take gained experience as he or she leaves an employer. It may be, at that level, a basis for the ultimate non-compete injunction.

20. See id. The inclusion in its opinion of the statement concerning Torma’s “pleading [of] lack of time and computer illiteracy” also suggests that the court of appeals was subconsciously including a judgment on his character in its analysis. Id.

21. Id. at 423.

22. Compare Cmty. for Creative Non-Violence v. Reid, 490 U.S. 730 (1989). The determination of the scope of employment in the context of the “work made for hire” principles of the copyright law includes a variety of factors, including the hiring party right to control the manner and means by which the product [was] accomplished…. the source of the instrumentalities and tools; the location of the work; the duration of the relationship between the parties; whether the hiring party has the right to assign additional projects to the hired party; the extent of the hired party’s discretion, over when and how long to work; the method of payment; the hired party’s role in hiring and paying assistants; whether the work is part of the regular business of the hiring party; whether the hiring party is in business; the provision of employee
Equally concerning is the apparent discontinuity between the rules the court announced and the reasoning and bases for its legal conclusions. Having established a rule for data ownership based on the scope of the employee’s duties, rather than timing, the court’s stated conclusions focused on factors other than what Torma’s duties actually were. It noted that Torma gathered data during business hours, that “but for Torma’s employment,” he would not have had access to the data he gathered, and that he used Northern Electric’s “facilities and opportunities” in supervising others and being “instrumental in its success.”

It appears that time, place, opportunity, and success guided the court of appeals, notwithstanding the touchstone of “assigned duties.” From the facts relied on by the court, it came to the conclusion opposite from that of the trial court, that the compilation “arose out of [Torma’s] assigned duties” and thus belonged to Northern Electric.

Having found that Torma’s compilation belonged to Northern Electric, only then did the court of appeals approach the trade secret issues in the case. Northern Electric attacked on appeal the trial court’s determination that the data could not be a trade secret because it was generally known or readily accessible and because Northern Electric did not take reasonable measures to maintain the data’s secrecy. After reviewing the statutory definition of “trade secret,” the court briefly discussed Amoco Production Co. v. Laird and its characterization of the fact-specific nature of the determination of whether given information is a protectable trade secret.

Addressing whether the data compilation was “readily ascertainable” under Indiana law, the court of appeals took the view that Amoco Production authorized protection for information the acquisition of which would require substantial investment of time, money, or effort, with the apparent corollary that a compilation of information can be protected even though the data included in the compilation is generally known or available. After acknowledging the public-domain character of data in Torma’s compilation, the court of appeals called the compilation a “unique effort” and noted the time and effort Torma expended on the compilation. The court went on to say that the compilation had “independent economic value,” and thus because duplication of the compilation would, in its view, require “substantial investment of time, expense, and effort, without which Northern Electric would lose a distinctive competitive advantage,” the compilation was not “readily accessible” under the trade secret law.
This aspect of the court’s analysis appears to meld together distinct elements of the statutory definition of a trade secret and continues the weakening of the concept of “readily ascertainable” begun in Amoco Production.\textsuperscript{31} The purpose of requiring a protectable trade secret not to be readily ascertainable is, obviously, to prevent information that is known or available from being taken away from the interested public. The traditional formulation of the elements of a trade secret, as the appellate court noted, separates the “not readily ascertainable” quality of the information from its “independent economic value” arising from that quality.\textsuperscript{32} Nonetheless, the court used information regarding the asserted economic value of the compilation to Northern Electric’s business to prove that the compilation was not readily accessible to others.

Aside from the logical difficulty of associating value with accessibility, the court’s treatment potentially creates a new analytic scheme that joins two trade secret elements into one. Further, this opinion is an indication of the very narrow reading of the concept of “readily ascertainable.”

Given the court’s admission that a substantial part of the data in the compilation came from public sources,\textsuperscript{33} and in the understanding that information from a failed servo motor is easily obtained by one with experience and training, this is clearly a case in which most or all of the underlying information is available, and only the actual final product is protectable as a trade secret because of the time involved in creating it.\textsuperscript{34} In order for information to be “readily ascertainable,” according to the appellate court’s holding and interpretation of Amoco Production, it must be obvious and therefore all to see. In other words, there appears to be a very fine (or non-existent) line between “known” and “readily ascertainable” as applied to trade secret information. Any presentation of time, effort, or expense could serve to render otherwise public information “not readily accessible,” it seems.

The concept espoused in Northern Electric, which gives data compiled over a long time trade secret protection, has an interesting parallel and an equally interesting counterpoint in intellectual property law. The parallel is with trademark law. It is axiomatic that trademark rights begin to accrue when the mark is first used, and, as a general proposition, they get stronger as the mark is used assertively and/or over a great length of time.\textsuperscript{35} This is true because it would take a relatively great investment of advertising money over a long period time to re-develop the goodwill accompanying the mark. Northern Electric’s view of Amoco Production suggests, likewise, that a data compilation begins to gain trade secret value from the first entry, and becomes more valuable and less readily ascertainable as more entries are made. Consequently, as more time would be required to re-create the information from scratch, even though each individual entry may have taken negligible time, the value of the compilation

---

\textsuperscript{31} Id. at 425.

\textsuperscript{32} Id.; see Ind. Code § 24-2-3-2 (1) (2005).

\textsuperscript{33} N. Elec. Co., 819 N.E.2d at 426.

\textsuperscript{34} Id.

\textsuperscript{35} Id.
increases. In counterpoint, the copyright law clearly does not protect a work just because one has invested significant effort in making it. There must be some originality, some creative contribution, in order to qualify for copyright protection. The requirement in the Indiana Uniform Trade Secret Act ("IUTSA") that a trade secret not be readily accessible provides what could be an analogous requirement, that the trade secret provide some original information over and above what it is already known. However, that interpretation is not the view taken by the court of appeals in the Northern Electric opinion. Although the Supreme Court rejected the "sweat-of-the-brow" doctrine in copyright law in the Feist case, the prevailing interpretation of Indiana’s trade secret law places significant value on "sweat-of-the-brow" in and of itself.

The second trade secret issue facing the court concerned whether Northern Electric took reasonable steps to maintain the secrecy of its data. The court relied principally on its previous case of Zemco Manufacturing, Inc. v. Navistar International Transportation Corp. in interpreting this element and reiterated the fact-sensitive nature of the inquiry as well as giving a list of possible actions for maintaining confidentiality of information. In analyzing this element, the court found that Torma’s own actions to protect his data compilation redounded to the benefit of Northern Electric, based on his duties to his employer as well as the determination that Northern Electric owned the data compilation.

Assuming the viability of the underlying assumptions, i.e. that Northern Electric owns the data and Torma owed Northern Electric a duty to protect the data, the conclusion that Torma’s protection of the data, including keeping it in his locked tool box at work, not allowing others access to the entire compilation, and keeping it locked up at his home, benefited Northern Electric appears warranted. However, the appellate court did not stop with those facts. It further relied on Northern Electric’s size and culture to create an analysis that focuses more on the "reasonable" aspect of this trade secret element and less on the "maintain secrecy" aspect. The court rationalized its result from evidence that Northern Electric is a small company with "long-term" employees with a "trusting relationship" with the company. Such evidence, the court reasoned, indicated that Northern Electric trusted its employees, and it further noted that no "security breaches" occurred during the time that Torma headed the servo motor repair department. With the steps Torma himself took to restrict access to the compilation, the appellate court held that the trial court erred as a matter

37. Id.
38. Id.
42. Id. at 427.
43. Id.
44. Id. at 428.
45. Id.
of law when it concluded that Northern Electric did not take reasonable protective steps.\footnote{46}

The court of appeals’ analysis on this point is actually quite remarkable. After looking askance at the steps taken by Northern Electric, the court was persuaded by Northern Electric’s argument that employer trust and the lack of leaks was sufficient to meet its burden to prove effort to maintain secrecy imposed by statute. Read broadly, this opinion appears to indicate that a threshold showing of sufficient efforts to maintain secrecy can be made out by a demonstration of few employees, a friendly culture, and corporate trust. Although the court does discuss in some detail the steps Torma took to maintain secrecy, and attributed them at least in part to Northern Electric, it is not clear that those steps were a deciding factor.\footnote{47}

Accordingly, it is evident from this case that the affirmative steps to maintain secrecy made by the putative trade secret holder is not the only, or perhaps even the most important, factor in considering whether the information was the subject of reasonable efforts to maintain secrecy.

The final point on intellectual property law in Northern Electric concerns the appellate court’s finding of misappropriation by Torma. After reciting part of the misappropriation standard from the statute,\footnote{48} the court noted that Northern Electric had asked Torma to leave the compilation, and Torma refused. In the court’s view, in light of its conclusion that Northern Electric owned the compilation, “[Torma’s] possession of the data became unauthorized and his acquisition improper.”\footnote{49} With no further discussion, the court overturned the ruling below that no misappropriation had occurred.

Unfortunately, there is little or no discussion of Torma’s intent in the recitation of facts in this opinion, and the appellate court does not discuss at all how it determines that “improper means”\footnote{50} were used to acquire the trade secret. The only parts of the misappropriation standard recited by the appellate court concerned (1) acquisition of a trade secret by one “who knows or has reason to know that the trade secret was acquired by improper means,” and (2) use of a trade secret by one who “used improper means to acquire the knowledge of the trade secret.”\footnote{51} Unless there was some unstated indication in the record that Torma knew or had reason to know he was acting improperly, or that Torma’s collection of data constituted “improper means,” there is a void in the court’s misappropriation analysis. The statute defines “improper means” to include “theft, bribery, misrepresentation, breach or inducement of a breach of a duty to maintain secrecy, or espionage through electronic or other means.”\footnote{52} Torma’s collection of data benefited both his employer and himself, and nothing suggests

\footnote{46}{\textit{Id.}}
\footnote{47}{\textit{See id.} at 427-28.}
\footnote{48}{\textit{IND. CODE} § 24-2-3-2 (2004).}
\footnote{49}{\textit{N. Elec. Co.}, 819 N.E.2d at 429.}
\footnote{50}{\textit{Id.; see IND. CODE} § 24-2-3-2.}
\footnote{51}{\textit{N. Elec. Co.}, 819 N.E.2d at 429 (citing \textit{IND. CODE} § 24-2-3-2).}
\footnote{52}{\textit{IND. CODE} § 24-2-3-2.}
that anyone thought the act of collecting the data was or could be considered improper. At the time he left Northern Electric, Torma had the knowledge in the data compilation that he had properly acquired. Notwithstanding the open-ended nature of the definition of “improper means,” the term “improper means” does not appear in the appellate record. The seemingly ex post finding of “improper means” in Torma’s refusal to leave a compilation that he apparently thought, with some reason, belonged to him is another remarkable feature of this opinion.

Thus, as it applies to intellectual property law, Northern Electric is noteworthy in that it adopts the Restatement position concerning ownership of information created by employees. Its conclusions flowing from that rule, and particularly its willingness to overturn the trial court’s findings in view of the high threshold it set for doing so, may be questioned, however. Its trade secret analysis, as noted above, provides a low threshold for a plaintiff to prove a putative trade secret is not readily ascertainable, and it further suggests a very broad interpretation of what are reasonable efforts to maintain secrecy, particularly for small businesses.

B. Paramanandam v. Herrmann

In Paramanandam v. Herrmann, the plaintiff alleged that the defendant had misappropriated trade secrets. Herrmann hired Paramanandam and his firm to develop a retail website for Herrmann’s scales marketing business. Paramanandam, who had some experience in that field with a relative of Herrmann, used his own software to design the website, obtained permission from product manufacturers to display pictures and information on the site, registered domain names, and developed key words to direct customers to the retail website via search engines. Paramanandam suffered health problems about a year after being hired by Herrmann, and after Herrmann denied his request to be able to work from home for a higher salary, the business relationship was terminated. Shortly thereafter, Herrmann found that Paramanandam had started his own online scale store, which site was “practically

53. Recall that the question of ownership was considered a question of first impression in Indiana, and that the Restatement rule adopted by the court of appeals is that the employee owns such data unless collection is within his or her assigned duties. In counterpoint, in its discussion of a conversion claim brought under Indiana Code sections 35-43-4-3 and 34-24-3-1, the court cited to testimony which it took to show that Torma knew Northern Electric had a right to the information Torma had collected. It is not clear to this author that the conclusion the appellate court drew from that testimony is warranted; moreover, it is not understood why that testimony and the conclusion drawn therefrom was not cited in connection with the discussion of misappropriation.


55. Id. at 1175. As used herein, “Herrmann” refers to the individual plaintiff and her sole proprietorship business.

56. Id.

57. Id.
identical” to the design of Herrmann’s site except for company information and logos, that he was using a domain name originally registered while he was working with Herrmann, and that internet searches using Herrmann’s business name or telephone number resulted in a listing of Herrmann’s business but had a link to Paramanandam’s site.\textsuperscript{58}

Herrmann filed suit requesting injunctive relief, alleging trade secret violations in Paramanandam’s use of information on Herrmann’s website and domain names developed, created, and maintained for Herrmann’s business.\textsuperscript{59} Following a preliminary injunction hearing, the trial court entered an order “which closely track[ed] the language of [the] complaint” granting an injunction against use of information copied from plaintiff’s website, domain names, or other information received by Paramanandam while employed by plaintiff, and it further required him to remove from his websites all such information.\textsuperscript{60} On appeal, the court considered whether plaintiff had established a prima facie case of trade secret misappropriation.\textsuperscript{61} Holding that plaintiff “failed to establish that any efforts were made to maintain [the] secrecy” of the alleged trade secrets, the court reversed the preliminary injunction.\textsuperscript{62}

The appellate court’s conclusion rested on the testimony of John Herrmann that they “chose not to be secretive” and that information on Herrmann’s website was “left out for the general public to see.”\textsuperscript{63} According to the court, the record demonstrated that there was one bit of information—prices—that did not appear on Herrmann’s website, but there was no allegation of misappropriation of price information. Further, the court found no evidence of effort to keep domain names secret; to the contrary, the record suggested that plaintiff “intended for the domain names to be readily available to potential customers searching the internet.”\textsuperscript{64} The court gave two interesting notes in dicta as well. First, it stated, “by way of illustration only,” that plaintiff did not take the steps of employing a password or paid subscription to its site as a way of restricting availability of information.\textsuperscript{65} Certainly, the court’s statement gives the impression that a password or subscription limitation could be considered steps to maintain secrecy, but, in fact, those steps do not maintain secrecy. Rather, they only serve to limit the disclosure of the ostensible trade secret. It is submitted that disclosure of a trade secret to certain persons or for a fee, without some promise of secrecy, is a system of disclosure and not an attempt to maintain secrecy.

The second piece of dictum suggests a theme for future trade secret

\textsuperscript{58} Id.

\textsuperscript{59} Id. at 1175-76.

\textsuperscript{60} Id. at 1176-78.

\textsuperscript{61} Id. at 1179.

\textsuperscript{62} Id. at 1179-80.

\textsuperscript{63} Id. at 1180. Notably, the court considered Northern Electric Co. v. Torma, 819 N.E.2d 417 (Ind. Ct. App. 2005), discussed above, to be inapposite based on this quote, saying that in Northern Electric, information was not left out for the public to see. Id.

\textsuperscript{64} Id.

\textsuperscript{65} Id. at 1180 n.7.
defendants, particularly those accused by a former employer, as it notes that the plaintiff “seems to seek to prevent competition by its former agent more than it seeks to protect a trade secret.” That statement suggests that this court sensed an elevation of form over substance in this case, and that it (and perhaps now trial courts as well) will be amenable to arguments that a trade secret claim does not adequately fit the realities of a given case.

C. U.S. Land Services, Inc. v. U.S. Surveyor, Inc. 67

This decision of the court of appeals resulted from an interlocutory appeal of the grant of a preliminary injunction in a trade secret case. The two issues the court considered were whether the trial court erred in finding that the information at issue constituted trade secrets and whether the issued injunction was overbroad. 68 The plaintiff below, Surveyor, was in the business of coordinating land surveys by taking requests for quotes from customers, identifying qualified local surveyors and obtaining bids from them, and providing a quote from one surveyor to the customer. 69 Surveyor had compiled data on customers and prospective customers as well as surveyors. 70 The individual defendants below, Harding and Wyber, had been employed by Surveyor in management positions and, “at some point,” became involved with the corporate defendant Land Services. 71 Surveyor’s complaint alleged trade secret violations and breach of non-competition agreements and, following a hearing, successfully enjoined all three defendants from “conducting or participating in any manner in the survey management and coordination business through the defendant U.S. Land Services.” 72

On appeal, the defendants argued that Surveyor’s customer, prospect, and surveyor lists, which the trial court found the defendants to have taken and used, were not in fact trade secrets. After quoting the statute, 73 the appellate court defined four traits of a protectable trade secret: (1) information, (2) which derives independent economic value, (3) “is not generally known, or readily ascertainable by proper means by other persons who can obtain economic value from its disclosure or use,” and (4) “the subject of efforts reasonable under the

66. Id. at 1180 n.8 (internal quotation marks omitted) (quoting Harvest Life Ins. Co. v. Getche, 701 N.E.2d 871 (Ind. Ct. App. 1998)).
68. Id. at 52.
69. Id.
70. Id.
71. Id.
72. Id. at 53, 62. The appellate court, notably, reprinted apparently the entire injunctive order issued by the trial court, including thirty-six numbered paragraphs of findings of fact and sixteen numbered paragraphs of conclusions of law, which amounted to over ten pages. Thus, there is a somewhat more comprehensive view of the case that was presented to the trial court than frequently is provided in trade secret cases.
73. IND. CODE § 24-2-3-2 (2005).
circumstances to maintain its secrecy.”

74. Defendants’ sole argument focused on the third element, maintaining that the lists at issue were readily ascertainable “through trade publications, the yellow pages, and the internet.” As in the Northern Electric case discussed above, the court took from Amoco Production Co. v. Laird the ideas that a combination of public domain information which “in unique combination, affords a competitive advantage” and that the effort of compiling such public domain information is “of itself, entitled to protection.”

The court went on to repeat Amoco’s statement that “the mere availability of other proper means will not excuse a trade secret misappropriation.” After reviewing some of the trial court’s findings, including the finding that some of the information in the lists at issue was not available from public sources, the court of appeals ruled that the conclusion that information taken and used by the defendants constituted trade secrets was not clearly erroneous.

The court of appeals discussed aspects of the injunction itself and found that the order was overbroad in some respects and acceptable in others. Of note in that discussion is the court’s analysis of whether the defendants could be enjoined from conducting any survey management business. A number of considerations and review of cases in Indiana and from other jurisdictions were provided with the result that the injunction against operating such a business was reversed. The court noted parenthetically that an injunction preventing operation of a business is not a priori impermissible, but that “common” types of trade secret injunctions are “production injunctions” prohibiting manufacture of a product and “use injunctions” to prohibit use of a trade secret. The discussion of these types of injunctions and their bases and theories will be useful to the practitioner, as will the other analysis provided by the court in reversing part of the injunction.

However, the court of appeals’ following of Amoco extends the position of the Indiana Supreme Court that conflates the requirements for a trade secret with the acts of the defendants. That position is logically quite troublesome insofar as it reads out of the statute a requirement for protection. If information is “readily ascertainable by proper means,” then it cannot by definition fall within the boundaries of Indiana Code section 24-2-3-2, regardless of the acts of the defendant. To award trade secret protection for information that can be “readily” developed by “other proper means” grants property rights not anticipated by the

75. Id.
76. 622 N.E.2d 912 (Ind. 1993).
77. U.S. Land Servs., 826 N.E.2d at 63-64 (quoting Amoco, 622 N.E.2d at 919-20).
78. Id. at 64 (quoting Amoco, 622 N.E.2d at 920).
79. Id.
80. Id. at 65-69.
81. Id. at 67-69.
82. Id. at 69 n.6.
language of the statute and, presumably, not by the legislature. In other words, if a defendant takes information that is otherwise readily ascertainable, he or she may be guilty of ethically questionable judgment, or perhaps another business tort, but not trade secret misappropriation. Until it is proved that information is a trade secret, there is nothing to misappropriate under the trade secret act.

Nonetheless, that logical difficulty seems to wash out given the Indiana Supreme Court’s policy decision to create what appears to be a very wide scope for the word “readily” in this context. By moving from the general statement that a substantial investment of time, expense, or effort qualifies as evidence that information is not readily ascertainable to the particular implication that the effort of compiling represents such an investment, the Amoco opinion initially, and the U.S. Land Services opinion now, seem to allow practically any showing to meet a plaintiff’s burden to demonstrate that his or her information is not readily ascertainable. Thus, even if the current state of the law does not initially treat the readily ascertainable aspect of the trade secret statute with logical rigor, by choosing to accept effort in re-creating information independently as making the information not readily ascertainable, the courts have made the definition of trade secret more expansive. In effect, the current state of the law seems to be that because effort in gathering information provides protection, obtaining information without effort signals a trade secret violation. Although that may be an acceptable, or at least satisfying outcome, it does not seem to comport well with the letter of Indiana’s trade secret statute. In U.S. Land Services, as in numerous trade secret cases, the facts seem to indicate questionable or unethical practices, making a finding of liability appealing, even if a more logically rigorous treatment of the trade secret law might yield a different result.

D. Coleman v. Vukovich

In this case, Vukovich had worked for Coleman in a business that Coleman owned. Vukovich left “with Coleman’s blessing” to create a new company that would serve some of Coleman’s customers. Subsequently, Coleman approached Vukovich with a covenant not to compete, and Vukovich’s refusal to sign apparently broke a deal for the sale of Coleman’s business. Coleman sued Vukovich for (1) tortiously interfering with contractual relations by refusing to sign the covenant not to compete, (2) misappropriating trade secrets, and (3)

83. Indeed, the opinion implicitly hints at this point in discussing the overbreadth of aspects of the trial court’s injunction. In the words of the appellate court, “[t]he purpose behind the [trade secret] Act is to protect trade secrets, not to prevent competition altogether.” U.S. Land Servs., 826 N.E.2d at 67 (citing Hydraulic Exch. & Repair, Inc. v. KM Speciality Pumps, Inc., 690 N.E.2d 782, 788 (Ind. Ct. App. 1998)). Note also Judge Baker’s partial dissent and Judge Friedlander’s concurrence, in which issues of proper competition vis-à-vis the trade secret law and proper injunctions are discussed. If there is no meaningful limitation on whether information is “not readily ascertainable,” the reach of the trade secret act could reach legal (if sharp) competition.


85. Id. at 400.
converting or trespassing on chattels. The trial court granted summary judgment in favor of Vukovich on the first two claims, but it denied summary judgment on the third.86

On the tortious interference claim, the appellate court upheld the judgment, finding that there was no contract between Vukovich and the buyer.87 Notably, it also found that Vukovich had no duty to enter into an agreement not to compete.88 Citing a prior appeal that found a non-compete agreement between Coleman and Vukovich invalid, and being unpersuaded that Vukovich’s action was malicious and directed to injuring Coleman, the court found no basis to extend either a covenant not to compete or the duty to enter one to Vukovich.89 As to the third claim, which concerned allegations of conversion and trespass to customer files, a laptop computer, and software, the trial court found that issues of material fact existed as to entitlement to those properties that precluded summary judgment.90

The court affirmed the trial court’s grant of summary judgment against Coleman on the trade secret claim for misappropriation of detailed customer files and records.91 The appellate court found that Coleman and his business “failed to show that they took sufficient steps to maintain secrecy of the information at issue.”92 The customer information at issue was available to all of Coleman’s employees because it was kept in unlocked files located in open view, computers were not password-protected, and information was publicly posted without a confidentiality marking. Additionally, employees were not required to sign confidentiality agreements.93 The court, relying on a number of cases, determined as a matter of law that “lax security” and “haphazard approach[es] to confidentiality agreements” would not support trade secret protection.94

The analysis in Coleman regarding steps to maintain secrecy should be compared to the related analysis in Northern Electric, discussed above. Initially, it is noted that the Coleman court phrased its conclusion in terms of “sufficient”

86. Id.
87. Id. at 403-04.
88. Id.
89. Id.
90. Id. at 406-08. A brief discussion of conversion, trespass to chattel, and replevin are provided along with the appellate court’s initial thoughts regarding the state of the facts relating to those claims, possible resolutions of them, and damage theories. The court’s short commentary is nevertheless quite useful to the practitioner considering claims ancillary or additional to trade secret or other intellectual property causes of action.
91. Id. at 404.
92. Id. at 405.
93. Id.
steps, rather than “reasonable” steps as the statute reads.\textsuperscript{95} So long as “sufficient” and “reasonable” are equivalent in the analysis, and there is nothing in the Coleman opinion to suggest otherwise, that phraseology does not appear to be objectionable. The principal factual differences between Coleman and Northern Electric in this context seem to be (1) that Coleman left information unlocked and in plain view, while Torma took pains to keep data in locked boxes and away from other employees and (2) that Coleman’s employees could get to the information without difficulty, while Torma did not allow other employees access to the whole of the information, only certain parts. There is also no clear indication in the Coleman opinion as to the size of Coleman’s business, whereas business size played a pivotal role in the Northern Electric case.\textsuperscript{96} It is also curious that the Coleman court discussed exclusively the behaviors and conditions at Coleman’s (the trade secret plaintiff) business, while much of the Northern Electric analysis centered on the defendant’s actions and how they inured to the plaintiff’s benefit.

\textit{E. PrimeCare Home Health v. Angels of Mercy Home Health Care, L.L.C.}\textsuperscript{97}

This trade secret case pitted health care institutions against each other. A former employee of PrimeCare, Murray, became the administrator of defendant, Angels of Mercy.\textsuperscript{98} PrimeCare sought an injunction against alleged misappropriation of its client list, which purportedly contained “confidential patient information.”\textsuperscript{99} The plaintiff, in its motion for a preliminary injunction, argued that defendants “raided” it for patients and employees and took a “customer list.”\textsuperscript{100} Defendants countered by saying that no such list had been obtained. Instead, the caregivers informed patients that the caregivers were leaving and that the patients could choose to stay at PrimeCare or follow them to Angels of Mercy.\textsuperscript{101} PrimeCare’s request for an injunction was denied because the trial court found that the cited client list was not a trade secret and that PrimeCare had no evidence that defendants had taken the list.\textsuperscript{102}

In considering these trade secret issues, the PrimeCare court framed the “not readily ascertainable” inquiry somewhat differently than in the cases discussed above.

The threshold factors to be considered are the extent to which the

\textsuperscript{95} Uniform Trade Secrets Act, IND. CODE §§ 24-2-3-1 to -8 (2005).

\textsuperscript{96} Of course, the Coleman litigation began, and the trial court may have granted the appealed judgment, before the Northern Electric opinion was decided. Had the order of things been reversed, perhaps Coleman would have sought to present evidence paralleling that which swayed the Northern Electric court.

\textsuperscript{97} 824 N.E.2d 376 (Ind. Ct. App. 2005).

\textsuperscript{98} Id. at 379.

\textsuperscript{99} Id.

\textsuperscript{100} Id. (internal quotation marks omitted).

\textsuperscript{101} Id.

\textsuperscript{102} Id. at 379.
information is known by others and the ease by which the information could be duplicated by legitimate means. Information alleged to be a trade secret that cannot be duplicated or acquired absent a substantial investment of time, expense or effort may meet the ‘not readily ascertainable’ component of a trade secret . . . .

The focus on ease of duplication by legitimate means maintains the proper logical process and does not absorb into the threshold determination of whether information is a trade secret any consideration of the culpability of the accused defendant.

Having given that framework, however, the court then looked at the actions of the defendants and found that notwithstanding that a customer list can sometimes be a trade secret, PrimeCare’s statement that a comparison of the defendants’ client list and PrimeCare’s former client list does not reach a threshold showing that the defendants took such a list. The court differentiated this case from others by noting that defendants did not take a physical list or compilation of data, but merely knew patients’ identities through their work at PrimeCare. Thus, “[t]hey had no need to resort to improper means to gain that information,” because “[g]enerally known information is outside the statutory protection.” Comparing this case to Steenhoven v. College Life Insurance Co. of America, the PrimeCare court focused on a passage from that opinion noting that where the essence of the complaint is to prevent competition, the trade secret statute is not an appropriate means for redress.

The fact that [defendant] possesses certain knowledge acquired within the course of his employment does not mandate that, upon his departure, [he] must wipe clean the slate of his memory. Rather, it is clear from the language of the act that the Uniform Trade Secrets Act was promulgated by the legislature to prevent the abusive and destructive usurpation of certain economically-imbued business knowledge commonly referred to as trade secrets. We do not believe the legislature ever intended the statute’s provisions to act as a blanket post facto restraint on trade . . . . Having forgone [a covenant not to compete], we believe it misguided to attempt to stem such competition by arguing, in essence, that properly-acquired knowledge of the employer’s business is automatically made a trade secret pursuant to the Act, without regard to the nature of the

103.  Id. at 381 (citing Amoco Prod. Co. v. Laird, 622 N.E.2d 912, 919 (Ind. 1993); Franke v. Honeywell, Inc., 516 N.E.2d 1090, 1093 (Ind. Ct. App. 1987)).
104.  Id.
105.  Id.
106.  Id. The court further noted that “[a]part from statutory protection,” goodwill between a business and its customers can be protected by a covenant not to compete, but none existed in this case. Id. at 381–82 (citing Titus v. Rheitone, Inc., 758 N.E.2d 85, 92 (Ind. Ct. App. 2001)); accord Rice v. Hulsey, 829 N.E.2d 87, 90 (Ind. Ct. App. 2005).
These thoughts and theories are compatible with the analysis in *Northern Electric*, but it is a better approach in the author’s view.

II. TRADEMARK AND UNFAIR COMPETITION CASES

A. Rice v. Hulsey

This case briefly discusses the relationship between goodwill as a business asset and a non-compete agreement in the context of the sale of that business. Hulsey sold Just Drains, a plumbing business, to Rice with assets including “the name Just Drains, and all of the goodwill of the business[,]” but did not include in the transaction a covenant not to compete with Rice. After Hulsey set up a new business and began soliciting previous customers, Rice filed suit alleging a breach of contract grounded in Hulsey’s solicitation of former customers after selling the goodwill of the business. Hulsey moved for and was granted summary judgment.

“Goodwill” is a term frequently encountered in trademark law as an indicator of the strength or value of a mark. It is axiomatic that a trademark cannot be sold by itself (an “assignment in gross”), but can only be sold in conjunction with the goodwill asset that it represents. Indiana common law defines “goodwill” as “‘the probability that old customers of the firm will resort to the old place of business where it is well-established, well-known, and enjoys the fixed and favorable consideration of its customers’ or ‘the expectation of continued public patronage.’” Rice argued that because he purchased the goodwill in Just Drains from Hulsey, Hulsey was prohibited from soliciting Just Drains’ customers because Rice bought the expectation of favorable customer consideration and continued patronage. Rice relied on *Fogle v. Shah*, which acknowledged that the sale of goodwill provides the buyer with a “‘right to expect the firm’s established customers will continue to patronize the purchased business.’” This right is defeated when a seller begins competing with the buyer.

The court of appeals took the position that the goodwill asset does not protect
itself, or put another way, that what would appear to be an infringement or taking of goodwill (as defined above) is not actionable by itself.\textsuperscript{116} Rather, the court held that goodwill is protected by a covenant not to compete.\textsuperscript{117} Absence of such a covenant, as in this case, means that the seller of a business can solicit the customers previously served by the business. The court cited its opinion in \textit{PrimeCare Home Health v. Angels of Mercy Home Health Care, L.L.C.}\textsuperscript{118} for the proposition that goodwill is a protectable interest “that may be addressed by a reasonable non-competition agreement.”\textsuperscript{119} The appellate court noted that Rice cited no authority to suggest that the sale of goodwill by itself would support a claim based on the seller’s solicitation of former customers and upheld summary judgment against Rice on the breach of contract claim.\textsuperscript{120}

This case clearly illustrates that a covenant not to compete is a necessary adjunct to a sale of business goodwill if the buyer expects the right to uncompromised access to the business’s existing customers at the time of the sale. Although it may be considered either hard competition or a sharp practice, without a covenant not to compete, a seller can leave the closing table, set up a competing business, and seek the same customers he or she served immediately prior to the closing. Practitioners will also bear in mind that covenants not to compete are not favored insofar as they restrict competition and place a limitation on one’s freedom to do business, and a court may void a covenant entirely if it is overly restrictive. Consequently, if a covenant entered ancillary to a business sale is voided, the buyer cannot then fall back on the goodwill asset to support a claim that the seller has infringed on his goodwill asset to keep the seller away from former customers of the business. A proper covenant not to compete is thus an important consideration for a buyer of any business.

\textbf{B. Keaton & Keaton v. Keaton}\textsuperscript{121}

This unfair competition case arose out of the similar names of two law firms. The plaintiff, Keaton & Keaton, P.C., which the appellate court named “Rushville Keaton,” was established as a partnership in 1971 and was incorporated in 1978.\textsuperscript{122} The defendant (“Ft. Wayne Keatons”) was a partnership formed in 2002 between two brothers, one of which had a solo practice in Ft. Wayne as of 1996.\textsuperscript{123} Having received a communication from a third party

\begin{itemize}
  \item 116. \textit{Id.}
  \item 117. \textit{Id.}
  \item 118. 824 N.E.2d 376 (Ind. Ct. App. 2005).
  \item 119. \textit{Rice,} 829 N.E.2d at 90 (citing \textit{PrimeCare,} 824 N.E.2d at 381-82).
  \item 120. \textit{Id.} Parenthetically, the court’s holding in this regard also defeated Rice’s claim for interference with a business relationship. Because Hulsey’s actions were not in violation of his sale of goodwill, and no illegal actions were alleged, the interference claim would not stand. \textit{Id.} at 91.
  \item 121. 824 N.E.2d 1261 (Ind. Ct. App. 2005), \textit{vacated and aff’d on other grounds,} 842 N.E.2d 816 (Ind. 2006).
  \item 122. \textit{Id.} at 1262.
  \item 123. \textit{Id.}
\end{itemize}
concerning a client of the Ft. Wayne Keatons, Rushville Keaton made a cease and desist request. After the Ft. Wayne Keatons refused to cease using the Keaton name, Rushville Keaton filed suit. On summary judgment, the plaintiff designated the following evidence: (1) medical records that were requested by the Ft. Wayne Keatons but were sent to Rushville Keaton, (2) an order from a court in a case in which the Ft. Wayne Keatons were participating, again sent to Rushville Keaton, and (3) an inquiry by a court clerk as to whether one of the Ft. Wayne Keatons was related to Rushville Keaton. The trial court granted summary judgment in favor of the Ft. Wayne Keatons.

The plaintiff’s argument on appeal, relying on *Felsher v. University of Evansville*, claimed that the defendants’ use of a nearly identical name constituted unfair competition. The *Felsher* case, following earlier appellate opinions, equated “unfair competition” with conduct tending “to deceive the public so as to pass off the goods or business of one person as and for that of another.” Notably, the trial court required, and the appellate court approved, an element of intent by the defendant. The appellate court, focusing on the deception requirement as laid out in *Felsher* and observing that the ordinary meaning of “deception” denotes intentional misleading or causing to believe what is false, held that a cause of action for unfair competition requires proof of “some level of intent to deceive.” The court found that plaintiff’s proffered evidence of unfair competition appeared to be “inadvertent mistakes or simple curiosity,” and, therefore, it was not reasonable to infer an intent to deceive. Further, the court found no evidence of any deceit by the Ft. Wayne Keatons, and thus upheld the trial court’s summary judgment in their favor.

The most important point from this case is the enumeration of an intent-to-deceive requirement for a count of unfair competition under the Indiana common law. The only intent element found in the Federal trademark law is that the

---

124. Id.
125. Id. The court characterized the cause of action as unfair competition. To practitioners familiar with trademark law, the action is probably more precisely a common law trademark infringement claim. However, the term “unfair competition” will be used throughout the discussion of this case, to maintain consistency with the appellate court’s usage, and because a common law trademark infringement claim is traditionally thought of as a type of unfair competition. See, e.g., *Restatement (Third) of Unfair Competition* § 20 (1995).
126. *Keaton*, 824 N.E.2d at 1263.
127. Id. at 1262.
128. 755 N.E.2d 589 (Ind. 2001)
129. *Keaton*, 824 N.E.2d at 1263.
130. Id. (emphasis added) (quoting *Felsher*, 755 N.E.2d at 598).
131. Id.
132. Id. at 1264. Unfortunately, the court then decided that it not need to say what level of intent to deceive must be proved, and it left that question open.
133. Id. at 1263.
134. Id. at 1264.
defendant must intend to act as he does. 135 So long as the defendant intended to
do business under a certain name, and a likelihood of confusion or deception
arises, a prima facie case under the Lanham Act can be made; there is no
requirement for a plaintiff to show that the defendant had some malicious intent.
The Keaton case adopts a different view for Indiana. Per Keaton, consumer
confusion as to the manufacturer or seller of goods or services is not sufficient
to support an unfair competition claim. The plaintiff must allege and prove that
the defendant’s actions were aimed at deceiving consumers or others as to the
origin of goods or services. Certainly in a few cases there will be the “smoking
memo” that demonstrates malicious intent or a course of action by the defendant
from which a trier of fact could legitimately infer such intent. However, it would
appear that the tort of unfair competition, already limited to “passing off” by the
Felsher opinion, is further limited to cases in which the defendant demonstrated
intent to deceive.

In early 2006, the Indiana Supreme Court weighed in on this case. In Keaton
& Keaton v. Keaton, 136 the court affirmed the appellate result, but added some
further discussion. The court first found that two varieties of unfair competition
were alleged in the case, one of a “passing off” variety and one of trade name
infringement. As to the first claim, the court called passing off “nothing more
than a subspecies of fraud” and agreed that it requires a showing of intentional
deception. 137 Summary judgment on that claim was properly granted for the
reason the appellate court gave, i.e., that no evidence of intentional
misrepresentation or deception was provided. 138

The supreme court took a more expansive view of the second claim than did
the appellate court. It clearly stated that the tort of unfair competition is not
limited to passing off, and that there are some bases for unfair competition that
do no require a showing of “intentional wrongdoing.” 139 The second claim was
characterized as trade name infringement, and citing the Restatement, the court
held that a trade name infringement claim must include showings of (1) a
protectible trade name, and (2) the defendant’s use of a name is likely to cause
confusion “as to the source of goods or products.” 140 Subjective intent to deceive
or confuse is not at issue, though it may raise “a rebuttable inference of a
likelihood of confusion.” 141 The court thus rejected the lower courts’ basis of
lack of intent in denying summary judgment. It nonetheless affirmed the result
on the alternative ground that there was insufficient showing of the
distinctiveness, uniqueness, or recognition of plaintiff’s name in a wide area, and
no actionable injury in its local area. 142

136. 842 N.E.2d 816 (Ind. 2006).
137. Id. at 819.
138. Id.
139. Id. at 820.
140. Id.
141. Id.
142. Id. at 821.
Two points may be taken from the supreme court’s affirmance in this case. First, the supreme court directly approved of prior court of appeals precedent providing a broad definition of unfair competition, apparently leaving quite an open field for possible unfair competition claims. The broad definition remains amorphous, however, since beyond its comments on trade name infringement, the court did not provide much guidance into what other fact patterns or types of conduct might constitute “unfair competition.” A second point is somewhat more troubling to the Indiana trademark and unfair competition law practitioner. Note that although the supreme court’s definition of “trade name” in essence identifies a name that identifies and distinguishes a business, its definition of “infringement” focuses on confusion with respect to goods, a standard appropriate to infringement of a trademark. Trademarks and trade names have traditionally had separate but philosophically-related legal protection, with marks generally enjoying stronger protection than trade names. This is due principally to the interest in protecting the consumer, who sees the mark but not necessarily the corporate name, from confusion, and also in protecting the goodwill built up in the mark from substantial use in the marketplace. The supreme court’s language focusing on confusion as to source of goods does not appear to be consistent with the traditional separateness of trade names and trademarks.

III. Patent Claim Construction: Phillips v. AWH Corp. 143

As noted in last year’s survey of intellectual property cases, the U.S. Court of Appeals for the Federal Circuit accepted for en banc review a case with potentially wide-ranging effects on construction of patent claims in infringement cases. In Phillips v. AWH Corp., 144 the Federal Circuit provided a relatively comprehensive treatment of claim construction, but it failed to lay out a black-letter roadmap for judges and patent practitioners to follow.

Of particular note, the court rejected a broad reading of the opinion in Texas Digital Systems, Inc. v. Telegenix, Inc. 145 which required a primary or exclusive emphasis on defining claim terms from dictionary or other sources external to the patent specification and its prosecution history. 146 In Texas Digital, a panel of the court indicated that proper claim construction first found an ordinary meaning from objective sources, such as dictionaries. 147 A patent’s specification and prosecution history was then only reviewed to see if a different or particular definition(s) was indicated. 148 Although permitting use of dictionaries, and even noting that in some cases judges will be able to provide the applicable ordinary meaning of a claim term themselves, the Phillips decision places such extrinsic

145. 308 F.3d 1193 (Fed. Cir. 2002).
146. Id. at 1204.
147. Id.
148. Id.
claim construction evidence clearly behind the specification and file history of the patent. 149

Phillips reaffirms the claim construction processes and maxims provided in Markman v. Westview Instruments, Inc.,150 Vitronics, Inc. v. Conceptronic, Inc.,151 and Innova/Pure Water, Inc. v. Safari Water Filtration Systems, Inc.152 The goal of claim construction is to find the ordinary meaning of claim terms as they are understood by one of ordinary skill in the relevant technological art.153 To do so, the court154 must look first at the specification and prosecution history of the patent. 155 The specification will indicate at least the context in which a particular claim term was used, and it will provide explicit or implicit definitions or limitations on the scope of terms in some cases.156 The prosecution history, likewise, will indicate how the patent applicant used particular terms.157 Additionally, arguments made to the Patent and Trademark Office to overcome prior rejections may reveal a particular definition or sense for a claim term.158 The court also indicated that “extrinsic” evidence, such as dictionary meanings or expert testimony, may be used, but they will generally be of less value than the specification and file history.159

For good or ill, at the end of the day, the process of claim construction is going to be left, for the foreseeable future, to federal trial court judges and their good judgment. Phillips provides good guidance insofar as it emphasizes the “ordinary meaning to the person of ordinary skill” standard, and instructs courts to focus in the first instance on a patent’s specification and claims. It also makes a definitive pronouncement on Texas Digital and its spotlight on dictionary or other definitions. On the other hand, the court missed an opportunity to make substantial changes to the method and evidence of claim construction to provide more certainty to patent litigation. In some cases, a dictionary or the judge’s own pronouncement may be sufficient for construing a claim. In others, a lengthy Markman hearing with multiple experts and other extrinsic evidence will be necessary along with the intrinsic specification and prosecution history evidence. In this author’s view, Phillips does not advance the art of claim construction, but it at least provides a very general framework.

---

150. 52 F.3d 967, 979-81 (Fed. Cir. 1995) (en banc), aff’d, 517 U.S. 370 (1996).
151. 90 F.3d 1576, 1582-83 (Fed. Cir. 1996).
152. 381 F.3d 1111, 1116-17 (Fed. Cir. 2004).
153. Phillips, 415 F.3d at 1313.
154. The Phillips court reaffirmed that the construction of claims is a question of law.
155. Phillips, 415 F.3d at 1317.
156. Id. at 1321.
157. Id. at 1317.
158. Id.
159. Id. at 1318.