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IP Newsflash



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FEDERAL CIRCUIT CASES

Federal Circuit: Licensor Has No Standing to Sue Where it Has Transferred “All Substantial Rights” to Its Licensee

The Federal Circuit affirmed a decision by Judge Schneider in the Eastern District of Texas to dismiss patent infringement claims by plaintiff Tri-County for lack of standing due to the details of its licensing arrangement with licensee and co-plaintiff Azure Networks.

In 2010, Azure Networks donated the asserted patent to co-plaintiff Tri-County, an Eastern District of Texas charity that provides advocacy for neglected and abused children. Shortly after making the donation, Azure and Tri-County entered into a license agreement that granted back to Azure an exclusive right to practice the invention, as well as the exclusive right to enforce the patent or to sublicense it without Tri-County’s consent. Tri-County retained a right to a portion of litigation or licensing proceeds, a non-exclusive right to practice the patent, and the right to terminate the agreement in the event of a breach. The license to Azure expired two years before the end of the patent term, but Tri-County had the option to renew the agreement in one-year increments.

The defendants argued that Tri-County did not have standing to participate in the lawsuit because Tri-County assigned all substantial rights to the patent to Azure, making it tantamount to a complete assignment. The district court agreed, and the Federal Circuit affirmed. In its decision, the Federal Circuit focused on the fact that Tri-County had transferred the exclusive right to enforce the patent, and did not retain any right to control or veto Azure’s litigation activities. The Federal Circuit acknowledged that under its analysis in *Aspex Eyewear, Inc. v. Miracle Optics*, 434 F.3d 1336, 1342 (Fed. Cir. 2006), the fact that the license agreement terminated prior to the expiration of the patents can be an indicator that the licensor retained substantial rights in the patents. Nevertheless, the court found *Aspex Eyewear* distinguishable. Specifically, in *Aspex Eyewear* there were still eleven years remaining in the *Aspex Eyewear* patent term after the license expired, whereas here only two years remained after the expiration of the Azure license, and Tri-County could renew the agreement until the end of the patent’s term.

Azure Networks, LLC v. CSR PLC, 2013-1459 (Fed. Cir. Nov. 4, 2014) [Chen (opinion), Reyna, Mayer (dissenting-in-part)].

- Author: [Andy Rosbrook](#)

DISTRICT COURT CASES

District Court Awards \$820k in Attorney’s Fees Based on Plaintiff’s Litigation Conduct

On November 6, 2014, the Northern District of California ordered Plaintiff, IPVX Patent Holdings, Inc., to pay over \$820k in attorney’s fees to Defendant, Voxernet LLC, for pursuing baseless litigation positions and for litigating in an unreasonable manner.

IPVX, a non-practicing entity, initially sued Voxernet for patent infringement over U.S. Patent No. 5,572,576, which relates to a telephone answering device allowing a user to check messages remotely. IPVX accused the Voxel App, a smartphone app allowing the exchange of voice, text, and image messages between users. On July 3, 2014, a day after the claim construction hearing, the court granted summary judgment of non-infringement in favor of Voxel—finding no material issues of fact over how the Voxel App worked. While IPVX moved to vacate, alter, amend or obtain relief from judgment under the federal rules, Voxel moved for attorney’s fees under 35 U.S.C. § 285.

“Exceptional Case” Standard

In determining whether the case was “exceptional” and thus, whether it merited an award of attorney’s fees, the district court looked to the Supreme Court’s recent *Octane Fitness* decision. *Octane Fitness, LLC v. ICON Health & Fitness, Inc.*, 134 S. Ct. 1749 (2014). There, the Supreme Court clarified that “an ‘exceptional’ case is simply one that stands out from others with respect to the substantive strength of a party’s litigating position . . . or the unreasonable manner in which the case was litigated.” *Id.* at 1756. The Court also noted nonexclusive factors such as “frivolousness, motivation, objective unreasonableness (both in the factual and legal components of the case) and the need in particular circumstances to advance considerations of compensation and deterrence.” *Id.* at 1756, n.6.

Plaintiff’s Unreasonable Positions and Litigation Conduct

The district court first noted that from the outset, IPVX's infringement positions were unreasonable. IPVX's attempts to link the Voxer App to a telephone network were "vague and conclusory" as it failed to tie any of the claim elements to the Voxer App. Similarly, IPVX's positions on proposed claim constructions were "absurd and farfetched." The court found a complete absence of evidence to support an infringement position either literally or under the doctrine of equivalents.

The court next looked at IPVX's litigation conduct and concluded that this "case stands out from others" because of the "assembly-line fashion" in which the case was litigated. The court found no evidence of a pre-suit investigation of the Voxer App and noted that discovery was "carelessly" conducted with requests being sent to Voxer that had nothing to do with the accused device. Ultimately the district court concluded that "[f]rom the litigation conduct in this case, it appears that IPVX is actually not willing to invest the resources to prove up its infringement case."

The court thus found the case to be exceptional under *Octane Fitness*, and proceeded to award attorney's fees in the amount of \$820,642. It summarized its holding as follows, which serves as a useful warning to plaintiffs in general: "IPVX's position on infringement was objectively baseless at the inception of the lawsuit, and IPVX proceeded in this litigation without developing any factual record to support its infringement contentions, either on literal infringement or on infringement under the doctrine of equivalents."

IPVX Patent Holdings, Inc. v. Voxernet LLC, No. 5:13-cv-01708 (N.D. Cal. Nov. 6, 2014).

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PATENT TRIAL AND APPEAL BOARD

Patent Anticipated and Obvious Under Broadest Reasonable Construction

In an *inter partes* review (IPR) decided on November 7, 2014, a PTAB panel issued a final written decision holding all challenged claims of a computerized gaming patent invalid as anticipated or obvious. The challenged claims related to a method of playing a game of skill having a qualifying round (between a player and a host computer) and a playoff round (between qualifying players). The sole prior art reference at issue in the IPR was the "Walker" reference, a published application that "describes a method and system for a distributed electronic tournament system in which remotely located players participate in a tournament through input/output devices connected to a central controller that manages the tournament."

In its final written decision, the board explained that, "[c]onsistent with the statute and legislative history of the Leahy-Smith America Invents Act . . . the board interprets claims using the broadest reasonable construction" (internal quotation marks omitted). The board then confirmed its interpretation of the terms it had construed in its institution decision and construed two additional claim terms. Turning to the merits of the validity question, the board agreed with petitioner that, under the broadest reasonable construction of the claim terms, the Walker reference described all limitations in the challenged claims. The board rejected patent owner's arguments to the contrary because those arguments were "based on a narrow claim interpretation [the board had] not adopted." Accordingly, the board held that petitioner had shown by a preponderance of the evidence that all challenged claims are unpatentable.

Game Show Network, LLC v. Stephenson, IPR2013-00289 (PTAB Nov. 7, 2014) [Medley (opinion), Turner, Wood].

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