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# IP Newsflash



03.6.15

## DISTRICT COURT CASES

### **Case Deemed Exception Where Patentee's Infringement Read Contradicted a Prior Claim Construction Order of Related Patents in a Prior Litigation**

After construing a critical disputed claim term, the court granted defendants FirstCall Network, Inc. and the City of Friendswood's motion for summary judgment finding no infringement. Thereafter, defendants filed a motion for an award of attorneys' fees under 35 U.S.C. § 285, arguing that the case qualifies as "exceptional" based on prior litigation between TechRadium and First Call in which the same court rejected TechRadium's proposed construction for "user" in related patents. During the claim construction proceedings in the prior litigation, TechRadium's outside counsel conceded that if defendants' proposed construction prevailed, that would "make it virtually impossible for any useful mass notification system to infringe the patent."

In declaring the case exceptional, the court noted that the infringement claims against defendants depended on a claim construction that the court clearly rejected in prior litigation on closely related patents and that TechRadium's in-house lawyer knew the significance of the court's prior claim construction as he was in the courtroom when TechRadium's outside counsel admitted that the construction of "user" would essentially defeat its claims of infringement. The court also reasoned that the prior construction "decisively rejected" TechRadium's proposed construction on grounds that apply equally in the instant case and further, noted that TechRadium did not challenge the prior claim construction by appeal or otherwise. Moreover, the court found that TechRadium's arguments for a different construction in the instant case were "wholly unsubstantial and without merit" and were "merely a vehicle to relitigate prior, clearly rejected, positions." As a result, the court granted the motion and awarded defendants over \$112,000 in attorneys' fees and expenses.

*TechRadium Inc v. FirstCall Network, Inc.*, No. 4-13-cv-02487 (S.D. Tex. February 27, 2015) (Rosenthal, J.).

- Author: [Eric R. Garcia](#)

### **District Court Stay Pending Inter Partes Review Conditioned on the Parties Agreeing to be Bound by Estoppel if Petitioners Withdraw and Final Decision Issues**

A Maryland District Court judge ordered that a stay pending *inter partes* review (IPR) would be contingent upon the parties stipulating to be bound by estoppel under 35 U.S.C. § 315(e), even if the IPR petitioner withdraws the petition, but the Patent and Trademark Board (PTAB) issues a decision.

On April 30, 2014, Plaintiff CTP Innovation LLC (CTP), who owns two patents directed to printing industry systems and methods, filed a complaint against Defendant EBSCO Industries, Inc. (EBSCO) alleging patent infringement. In addition, CTP has filed patent infringement complaints against 48 additional printing companies and is a counterclaim defendant in a declaratory judgment action related to these patents. The pending cases were consolidated into a multidistrict litigation on December 12, 2014, and transferred to the District Court of Maryland for pretrial purposes. As of late January 2015, 41 of these cases have settled and eight cases are still pending.

On May 20, 2013, four petitioners filed IPR petitions regarding the patents-in-suit, which were instituted by the PTAB. Subsequently, on December 24, 2014, defendants filed a motion to stay pending IPR proceedings. CTP opposed the motion to stay, but contended that if the court grants a stay, Defendants should agree to be bound by estoppel pursuant to 35 U.S.C. § 315(e). Section 315(e) provides that an IPR review that results in a final decision estops a petitioner or real party in interest or privy of the petitioner from asserting in a civil action that a claim is invalid on a ground that was raised or reasonably could have been raised during the IPR proceeding. Although the court acknowledged that it was not aware of substantial "track record" of cases in which petitioners have withdrawn and, thereafter, the PTAB issued a written decision, it found that the balanced approach would be to estop the parties from re-litigating issues resolved by the PTAB in the event of a post-withdrawal final decision. Therefore, the court ordered that any defendants that would like to stay the case pending IPR review must enter the proposed estoppel stipulation.

*CTP Innovations LLC v. EBSCO Industries Inc.*, No. 1-14-cv-03884 (MDD Feb. 25, 2015, Orders 33, 39) (Garbis, J.).

- Author: [Melissa Gibson](#)

### **District Court Grants Judgment on the Pleadings Under *Limelight***

In an order granting judgment on the pleadings, Judge Louise Flanagan found that plaintiff Robert Mankes failed to sufficiently allege that defendant Vivid Seats Ltd. directly infringed or induced infringement of U.S. Patent Number 6,477,503, citing *Limelight Networks, Inc. v. Akamai Technologies, Inc.*, 134 S. Ct. 2111 (2014), which held that induced infringement of a method claim can occur only when one party performs every step of the claim. The

patent discloses a reservation system that controls inventory through a process where vendors can track and sell their limited inventory both locally and online. According to Mankes, Vivid Seats' online services are used by professional ticket resellers and pre-screened individual sellers to allocate available ticket inventory for sale to online customers. Mankes contended that Vivid Seats practiced some of the claimed method steps through its online service and sufficiently controlled the sellers to perform the remaining steps of the invention. Because multiple parties were required to perform the claimed steps of the patent, and none of those parties were under the control of Vivid Seats, the court found that the complaint failed to state a claim for direct infringement. "The controlling rule, consistently applied by the Federal Circuit, is where multiple parties perform all the steps of a claimed method, there is no direct infringement unless one party exercises control." After finding that Mankes failed to successfully allege direct infringement, Judge Flanagan concluded that Vivid Seats could not be liable for inducement in view of Limelight. Simply put, "[Vivid Seats] cannot be liable for inducement absent direct infringement by the [s]ellers." Final judgment in favor of Vivid Seats was entered that same day.

*Robert Mankes v. Vivid Seats Ltd.*, No. 5:13-CV-717 (E.D. N.C.) (February 26, 2015). [Judge Louise Wood Flanagan].

- Author: [Jesse Snyder](#)

## DECISIONS ON PATENTABLE SUBJECT MATTER UNDER ALICE CORP.

### PTAB Invalidates Three Options Trading Patents Under Alice

On March 2, 2015, the Patent Trial and Appeal Board (PTAB) invalidated three patents belonging to Chicago Board Options Exchange, Inc. (CBOE) that were filed against International Securities Exchange, LLC (ISE). The three patents-in-suit are directed to the concept of managing trading risk involved with options trading. Specifically, the claimed software automatically adjusts or deactivates quotes once they cross a certain risk threshold.

The PTAB issued three separate decisions under the America Invents Act covered business method review finding that the patents were all invalid under the test for subject matter eligibility set out in *Alice Corp. Pty. Ltd. v. CLS Bank Int'l*, 134 S.Ct. 2347 (2014). The panel agreed with petitioner ISE concluding that the challenged claims are patent ineligible because the claims "do nothing more than automate an abstract and mental risk management technique used by market makers in open outcry exchanges for decades." In finding that the abstract idea of risk management is claimed, the panel further noted that "the abstract idea of the challenged claims is not only risk management in general, but also the specific type of risk management, but also the specific type of risk management claimed in each claim. Furthermore, limiting an abstract idea to a specific field of use or adding token post-solution activity does not make an abstract idea patentable."

As a contingency, CBOE also requested to amend the independent claim, which the PTAB rejected because the "proposed amendments are not specific and do not tie the claim to a concrete apparatus or method; rather, the added limitations are generic and insufficient to confer patent eligibility, similar to the claims at issue in Alice."

*International Securities Exchange LLC v. Chicago Board Options Exchange Inc.*, Nos. CBM2013-00049, CBM2013-00050, and CBM2013-00051 (PTAB Mar. 2, 2015).

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