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IP Newsflash

04.03.15

DISTRICT COURT CASES

Patent Directed to Online Auction Held Invalid Under § 101

A district court recently granted a defendant's motion for judgment on the pleadings, holding that a patent directed to an online auction is invalid as patent-ineligible under § 101. Under the Supreme Court's two-step analytical framework, the court "first determine[s] whether a claim is 'directed to' a patent-ineligible abstract idea." *Content Extraction* and *Transmission LLC v. Wells Fargo Bank*, Nat'l Ass'n, 776 F.3d 1343, 1346 (Fed. Cir. 2014). If it is an abstract idea, the court moves to the second step to determine whether there is an 'inventive concept'. Under the second step, the court "must determine whether the claims contain an 'element or combination of elements that is sufficient to ensure that the patent in practice amounts to significantly more than a patent upon the ineligible concept itself." *Ultramercial, Inc. v. Hulu*, LLC, 772 F.3d 709, 714 (Fed. Cir. 2014). Here, the court first determined that the claims at issue were "directed to" the abstract idea of an auction. The court found that, "putting aside the extensive discussion of the auction in the specification, the claims substantively describe an auction and make absolutely clear the [asserted patent] is directed to an auction." The court further explained that "[l]ike hedging financial risk, intermediated settlement, or using advertising as currency, an auction is a 'fundamental economic practice long prevalent in our system of commerce.'" Next, the court found that the claims do not add an 'inventive concept' under the second step. The plaintiff pointed to several claimed features, including using two-modes in the auction, and only updating a portion of a webpage during the live portion of the auction, as providing the requisite 'inventive concept'. The court rejected these arguments, finding that these variations were nothing more than "generic Internet implementation of the abstract idea."

Advanced Auctions LLC v. EBay Inc., 13-cv-1612 (S.D. Cal. March 26, 2015).

- *Author*: Matthew G. Hartman

District Court Awards Attorney Fees against Intellect Wireless' Lawyers

On March 31, 2015, the United States District Court for the Northern District of Illinois awarded the defendants, Sharp, Dell, and Hewlett-Packard, attorney fees against plaintiff Intellect Wireless' counsel, finding the lawyers' conduct deserving of sanctions because they knew nearly a year before filing suit that inventor Daniel Henderson of Intellect Wireless had made false statements to the United States Patent and Trademark Office and "engaged in a campaign to paper over" evidence of that knowledge.

In 2010, Intellect Wireless filed a complaint against the defendants alleging infringement of two patents. Judge Pallmeyer stayed the case pending Judge William Hart's ruling on an inequitable conduct defense asserted against Intellect Wireless in a related case asserting the same patents. Following a bench trial, Judge Hart concluded that Henderson had filed false declarations with the PTO and held the patents unenforceable based on inequitable conduct. The Federal Circuit affirmed. After the Federal Circuit's affirmance, Judge Pallmeyer granted defendants' motion for an award of attorney fees against Intellect Wireless under 35 U.S.C. § 285, finding the case to be "exceptional" based on Henderson's pattern of deceit. After conducting additional discovery, the defendants asserted that Intellect Wireless' attorneys were aware of the false declarations and knew or reasonably should have known that the patents were invalid, but nevertheless forged ahead with the litigation.

In a fifty-five page opinion, Judge Pallmeyer ordered that the attorneys be held jointly and severably liable for the defendants' reasonable attorney fees. As the court explained, the record showed that Intellect Wireless' attorneys "not only repeatedly misrepresented the functionality of Henderson's prototypes, but . . . continued to make misleading statements about what [they] actually knew and when they knew it." As a result, "their lack of candor unnecessarily prolonged the litigation as [the] defendants had to respond to those inaccurate statements, and required the court to expend unnecessary time and energy parsing the record."

Intellect Wireless Inc. v. Sharp Corporation, 1:10-cv-06763 (N.D. Illinois, March 31, 2015).

- *Author*: Emily Johnson

Judge Awards Attorneys' Fees against Plaintiff That Asserted Patents Known to be Owned by Another

The District Court for the Eastern District of Pennsylvania awarded attorney fees under § 285, following a trial, where the jury determined that the plaintiff, Alzheimer's Institute of America (AIA), was not the owner of the patents upon which its infringement action was based.

During the trial, defendants put forth several arguments as to why plaintiff did not own the patent, including a theory that AIA's principal had conspired to defraud two universities of their ownership rights in the invention. Because the jury did not make specific findings regarding the existence of a conspiracy, AIA argued that the case was not exceptional. Specifically, AIA argued that because defendants had advanced several alternative theories regarding ownership, the jury's verdict was not necessarily predicated on a finding of a conspiracy.

The court, however, held that the evidence clearly supported the finding that plaintiffs conspired to misrepresent the true inventorship of the patents in an effort to ensure that the universities did not obtain ownership rights. Thus, on both factual and legal grounds, the action was objectively unreasonable, supporting the award of attorney fees under § 285.

Alzheimer's Institute of America, Inc. v. Avid Radiopharmaceuticals, No. 10-6908 (E.D. Penn. Mar. 30, 2015).

- *Author*: Romeao Jennings

PATENT TRIAL AND APPEAL BOARD

Parent Corporation Not Always a "Real Party-in-Interest" in *Inter Partes* Review Proceedings

In a decision to institute an IPR proceeding, a Patent Trial and Appeal Board (PTAB) panel has determined that a parent-subsidiary relationship is insufficient, alone, to trigger the disclosure requirements of 35 U.S.C. § 312(a)(2) with respect to the parent company. In prior decisions, the board has determined that failure to disclose a real party-in-interest is fatal to the IPR petition. In this case, the petitioner identified itself—but it did not disclose its corporate parent—as a real party-in-interest. The patent owner argued in its preliminary response that the unnamed party "is the ultimate parent company" of the petitioner and "exhibits a significant measure of control over its wholly-owned subsidiary." According to the patent owner, evidence that the parent was a real party-in-interest included the fact that the same law firm represented the petitioner in the instant IPR as well as the parent company in a related litigation. In analyzing the issue, the board explained that to determine whether a party is a real party-in-interest, it considers factors such as the non-party's relationship with the petitioner and the non-party's relationship with the petition itself—including the nature and degree of involvement in the filing, and the nature of the entity filing the petition. The board further noted that a party does not become a real party-in-interest solely because it is a joint defendant with the petitioner in a patent infringement suit or is part of a defense group with the petitioner in the suit. According to the board, a "real party-in-interest" determination is "highly fact-dependent," and the evidence as a whole must show that the non-party "possessed effective control over the petitioner" with respect to the IPR. In this case, the board concluded that generic references to the existence of a parent/subsidiary business relationship in SEC documents and statements in press releases on which the patent owner relied were insufficient to establish that the parent funded, directed, or controlled the IPR proceeding, or that the subsidiary was a proxy for the parent. As a result, the board rejected the patent owner's challenge and instituted the IPR.

TRW Automotive US LLC v. Magna Electronics Inc., IPR2014-01497, Paper No. 7 (PTAB Mar. 19, 2015).

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