

UNITED STATES PATENT AND TRADEMARK OFFICE

BEFORE THE PATENT TRIAL AND APPEAL BOARD

OCEAN TOMO, LLC,
Petitioner,

v.

PATENT RATINGS, LLC,
Patent Owner.

Case CBM2015-00157
Patent 9,075,849 B2

Before BARRY L. GROSSMAN, KRISTINA M. KALAN, and
PETER P. CHEN, *Administrative Patent Judges*.

CHEN, *Administrative Patent Judge*.

DECISION

Denying Institution of Covered Business Method Review
37 C.F.R. § 42.208

I. INTRODUCTION

Ocean Tomo, LLC (“Petitioner”) filed a Petition (Paper 1, “Pet.”) to institute a covered business method review of claims 1, 9, 16, 18–25, 34, 49, 50–52, and 57 (“the challenged claims”) of U.S. Patent No. 9,075,849 B2 (Ex. 1001, “the ’849 patent”). Patent Ratings, LLC (“Patent Owner”) filed a Preliminary Response (Paper 10, “Prelim. Resp.”), to which we permitted a reply by Petitioner (Paper 13, “Pet. Reply”). We have statutory authority under 35 U.S.C. § 324.

After considering the Petition, Preliminary Response, and Reply, and accompanying exhibits, we determine that Petitioner does not have standing to file a Petition for a covered business method review of the ’849 patent under § 18(a)(1)(B) of the Leahy-Smith America Invents Act (“AIA”)¹ and 37 C.F.R. § 42.302. Accordingly, we deny institution of a covered business method patent review of the challenged claims of the ’849 patent.

II. ANALYSIS

A. *Standing*

Standing to file a covered business method patent review is a threshold issue. Under § 18(a)(1)(B) of the AIA,

A person may not file a petition for a transitional proceeding with respect to a covered business method patent unless the person or the person’s real party in interest or privy has been sued for infringement of the patent or has been charged with infringement under that patent. Charged with infringement means a real and substantial controversy regarding infringement of a covered business method patent exists such that the petitioner would have standing to bring a declaratory judgment action in Federal court.

See also 37 C.F.R. §§ 42.206, 42.302(a), 42.304(a) (trial rules on standing in a covered business method review). A petition for covered business method review

¹ Pub. Law 112–29, 125 Stat. 284, 331 (Sept. 16, 2011).

must set forth the petitioner's grounds for standing. 37 C.F.R. § 42.304(a). Rule 42.304(a) states it is Petitioner's burden to "demonstrate that the patent for which review is sought is a covered business method patent, and that the petitioner meets the eligibility requirements of § 42.302." *Id.*

Under 37 C.F.R. § 42.302(a), a person may not file a petition for covered business method patent review, "unless the petitioner, the petitioner's real party-in-interest, or a privy of the petitioner has been sued for infringement of the patent or has been charged with infringement under that patent."

As the Office explained in comments to the Final Rules governing covered business method patent review:

To establish standing, a petitioner, at a minimum, would be required to *certify with explanation* that the patent is a covered business method patent and that the petitioner meets the eligibility requirements of § 42.302. This requirement is to ensure that a party has standing to file the covered business method patent review and would help prevent spuriously instituted reviews. *Facially improper standing is a basis for denying the petition without proceeding to the merits of the decision.*

Changes to Implement Inter Partes Review Proceedings, Post-Grant Review Proceedings, and Transitional Program for Covered Business Method Patents, 77 Fed. Reg. 48,680, 48,709 (Aug. 14, 2012) (Response to Comment 102; emphases added). Consequently, the petition must show that the petitioner meets the requirements of 37 C.F.R. § 42.302, and such "[a] showing can only be made through sufficient proof." *Id.* (Response to Comment 106). For example, in *Global Tel*Link Corp. v. Securus Technologies, Inc.*, Case CBM2014-0016, slip op. at 9 (PTAB Feb. 17, 2015) (Paper 10), the Board denied institution of a covered business method review based on the determination that Petitioner's

assertion of standing in the Petition was not supported sufficiently by proof in the Petition.

For the reasons discussed below, we determine that the Petition and Reply fail to proffer sufficient proof to support Petitioner's standing to file the request for a covered business method review.

B. Analysis

Petitioner "provides, among other things, financial products and services related to expert testimony, valuation, investments, risk management and transactions throughout the United States and overseas." Pet. 1. Patent Owner "owns and develops computer-generated metrics that can be used to help determine the quality and relevance of issued United States patents." *Id.* Patent Owner's patents "are used to assess the quality and relative value of patent portfolios." *Id.* Petitioner is a 25% owner of Patent Owner. Ex. 1005, ¶ 4.

Beginning in 2004, Petitioner and Patent Owner entered into a contractual relationship under a technology License Agreement (the "License Agreement") pursuant to which Patent Owner provided to Petitioner "certain proprietary computer generated metrics for determining the quality and relevance of patents." Pet. 1-2; Ex. 1004, ¶ 2. Since 2007, "the parties' business relationship has been plagued by a number of disputes, including the three separate lawsuits which have essentially been consolidated into a single action" before the U.S. District Court for the Northern District of Illinois (the "Illinois action"). Pet. 2, 14.

In particular, Petitioner alleges in its Second Amended and Supplemental Complaint in the Illinois action (the "Complaint") that in 2005 it hired Patent Owner's chief executive officer, Jonathan Barney, to be a managing director of Petitioner. Ex. 1004, ¶¶ 1, 6, 41. In that capacity, Barney oversaw the marketing and sale of certain of Petitioner's products and services, for which he received an

annual salary of \$ 210,000, along with profit-sharing payments and equity in Petitioner, which he retains as one of three equity holders in Petitioner. *Id.* ¶¶ 41–42. Petitioner alleges it provided Mr. Barney with a laptop computer, which he did not immediately return to Petitioner when he resigned from Petitioner in 2011. *Id.* ¶¶ 8–9, 44, 52–54. Petitioner further alleges that after Mr. Barney eventually returned the laptop, Petitioner determined that Mr. Barney had “permanently destroyed and rendered inaccessible all [Petitioner] information” on the laptop’s hard drive, but not before making a copy of the hard drive. *Id.* ¶¶ 55–56. After his resignation from Petitioner in 2011, Mr. Barney and Patent Owner allegedly solicited a potential customer of Petitioner. *Id.* ¶¶ 9, 11, 99–101.

Petitioner’s Complaint alleges nine causes of action against Mr. Barney and Patent Owner, for: (1) declaratory judgment of non-breach of the License Agreement (*id.* ¶¶ 107–115); (2) breach of employment agreement (*id.* ¶¶ 116–121); (3) breach of Petitioner’s Computer Asset Policy agreement (*id.* ¶¶ 122–127); (4) breach of fiduciary duty (*id.* ¶¶ 128–133); (5) misappropriation of trade secrets (*id.* ¶¶ 134–140); (6) violation of the Computer Fraud and Abuse Act (*id.* ¶¶ 141–146); (7) conversion (*id.* ¶¶ 147–152); (8) tortious interference with prospective business advantage (*id.* ¶¶ 153–161); and (9) declaratory judgment for tortious interference with Petitioner’s business expectancy (*id.* ¶¶ 162–167).

Neither the Complaint nor the Petition, however, allege Petitioner has been sued for infringement of the ’849 patent. Petitioner’s 39-page Complaint did not mention the ’849 patent, or include a cause of action for declaratory judgment of non-infringement of the ’849 patent, and the Complaint and Petition do not allege that Petitioner otherwise has been expressly charged with infringement of the ’849 patent.

Patent Owner has alleged that its Amended Counterclaim in the Illinois action that “arises from Ocean Tomo’s malicious, underhanded campaign to wrongfully oppress and freeze out one of its minority owners, Jonathan Barney.” Ex. 1005, ¶ 1. Patent Owner alleges that after joining Petitioner as one of its senior executives, Mr. Barney found the working “environment at [Petitioner] was rife with conflict, back-biting, and shady business and accounting practices . . . ultimately, [Petitioner] created intolerable working conditions and severe conflicts of interest with the goal of forcing Mr. Barney to resign his employment.” *Id.* ¶¶ 17, 24.

Patent Owner also alleges that during an arbitration between the parties, Patent Owner “for the first time learned that for years [Petitioner] routinely and systematically sold products and reports to its clients using PatentRatings Analysis for which [Petitioner] had never reported or paid revenues to [Patent Owner], in spite of a contractual obligation to do so.” *Id.* ¶45. Patent Owner further alleges Petitioner also “wrongfully disclosed and misappropriated [Patent Owner’s] confidential information,” “wrongfully accessed [Patent Owner’s] computer servers,” used Patent Owner’s confidential information to develop its own patent ratings system, and interfered with Patent Owner’s business opportunity with a company in Japan. *Id.* ¶¶ 50, 52, 55, 63–64.

Patent Owner’s amended counterclaim alleges six causes of action, including three causes of action for breach of contract (*id.* ¶¶ 68–93), and causes of action for tortious interference with prospective economic advantage (*id.* ¶¶ 94–100), violation of the Computer Fraud and Abuse Act (*id.* ¶¶ 101–104), and fraudulent inducement of Patent Owner to enter into an amendment to the License Agreement in 2007 (*id.* ¶¶ 105–113). Petitioner asserts it has alleged an affirmative defense to the amended counterclaim that Patent Owner’s patents are

invalid, and filed a summary judgment motion of invalidity. Pet. 16, Ex. 1007.

The summary judgment motion identifies eight of Patent Owner's patents, but the '849 patent is not among them. Pet. 16–17, Ex. 1007.

Petitioner contends it was granted an exclusive license to use Patent Owner's patent analysis technology. Pet. 1–2, 13; Prelim. Resp. 7; Ex. 1002 § 3.1. In particular, the License Agreement specifies Petitioner may “reproduce, install, and use the PatentRatings Tools and Improvements” for Petitioner's “internal use only,” and may “distribute, sell, license or other transfer for use . . . and display PatentRatings Analysis to third parties for a fee.” Ex. 1002 § 3.1(a), (b).²

According to Petitioner, the counterclaim's allegations “that [Petitioner] is in breach of the License Agreement constitute a threat that [Patent Owner] will bring suit against [Petitioner] based on [Patent Owner's] Patents and creates a reasonable apprehension by [Petitioner] that [Patent Owner] will enforce [its] Patents against [Petitioner].” *Id.* (citing *Medimmune, Inc. v. Genentech, Inc.*, 549 U.S. 118 (2007)).

Patent Owner contends, “[a] mere business relationship – even one built upon a foundation of patents – does not automatically amount to a charge of infringement as to a specific patent.” Prelim Resp. 6–7. Patent Owner states its amended counterclaim in the Illinois action “does not assert that unpaid revenues

² Petitioner states that section 4.3 of the License Agreement requires Petitioner to pay Patent Owner for “revenues received . . . for access and use of PatentRatings Analysis.” Pet. Reply 1–2; Ex. 1002 § 4.3. The License Agreement defines PatentRatings Analysis as “using the data output of one or more PatentRatings Tools.” Pet. Reply 2; Ex. 1002 § 1.7. The PatentRatings Tools in turn are defined to include Patent Owner's technology, know-how, software, and other intellectual property, including Patent Owner's patents. Pet. Reply 2; Ex. 1002 § 1.11. Patent Owner's Patents include “all patent applications and patents . . . that are owned” by Patent Owner. Pet. 13; Ex. 1002 § 1.10.

are due for Petitioner's use of the [Patent Owner's] patents." Prelim. Resp. 9 (emphasis omitted). Rather:

Pursuant to the License Agreement, revenues are owed to [Patent Owner] for the commercial use of the PR System (i.e., proprietary software and databases), not for practicing the [Patent Owner] Patents, which are explicitly licensed to Petitioner "royalty-free." See Ex. 1002, pp. 3-4; §§ 3.1, 4.1.

Prelim. Resp. 9. Patent Owner also notes the challenged '849 patent was not even issued until over five months after Patent Owner's amended counterclaim alleging breach of the License Agreement was filed in the Illinois action. *Id.* at 11.

We are not persuaded that Petitioner has standing to file the Petition herein, for several reasons. First, there is no evidence that Patent Owner has sued Petitioner for infringement of the '849 patent, in its 32-page amended counterclaim in the Illinois action, or in any other legal proceeding. Petitioner and Patent Owner, formerly in an employment and contractual relationship, have been parties to the License Agreement for over a decade, and find themselves mired in a matrix of contractual and tort disputes venued in the district court. The 15 causes of action alleged therein, however, contain no allegations by Patent Owner of Petitioner's infringement of the '849 patent, or of any of the Patent Owner's patents.

Second, regarding Petitioner's *Medimmune*-based arguments that it has been "charged with infringement," because a real and substantial controversy exists regarding infringement of the '849 patent, Patent Owner asserts:

In contrast to the "well defined" dispute in *MedImmune* concerning the validity and infringement of a particular patent with respect to a particular identified product, the current disputes between [Patent Owner] and Petitioner do not specifically relate to the infringement or validity of a particular patent with respect to any particular identified product. Instead, as noted above, the parties'

License Agreement includes no provisions that condition any payment or other contractual obligation on the scope or validity of any patents held by [Patent Owner]. The License Agreement grants a “royalty-free” license to the PR patents and requires payments only for Petitioner’s commercial use of [Patent Owner’s] proprietary software and databases, not its patents. Accordingly, as explained above, [Patent Owner] has not alleged that any current activities of Petitioner infringe any patents held by [Patent Owner], let alone the ’849 patent. . . . Thus, the facts here are quite different than those in *MedImmune*, where there was a “well defined” allegation of patent infringement based on a license agreement that required payment of royalties for the sale of products “which ... would, if not licensed under the Agreement, infringe one or more claims of either or both of [the covered patents].”

Prelim. Resp. 16. We have reviewed the parties’ arguments and evidence on this issue, and agree with Patent Owner. This case is factually distinguishable from *MedImmune* for the reasons described by Patent Owner. We are not persuaded any of the evidence herein sufficiently demonstrates a charge by Patent Owner of Petitioner’s infringement of the ’849 patent. For example, the parties’ amended pleadings in the Illinois action total 15 causes of action, spanning 71 pages and 280 paragraphs of allegations, yet there is no mention of the ’849 patent, or patent infringement, or non-infringement of patents, or charges of patent infringement. Exs. 1004, 1005. The parties’ contract, tort, and related causes of action concern and arise from the fractured employment and business relationship between Petitioner and Mr. Barney and Patent Owner, not from charges of infringement of the ’849 patent.

In addition, we agree with Patent Owner’s contention that its discovery requests in the Illinois action cannot place Petitioner in apprehension of being sued for patent infringement as to the ’849 patent, because that patent was not included in the scope of those discovery requests. Prelim. Resp., 12–13.

Lastly, we agree with Patent Owner that Petitioner's cause of action for declaratory judgment of non-breach of contract does not establish a real and substantial controversy for purposes of covered business method review standing:

Petitioner improperly equates the standing requirement set forth in the Declaratory Judgment Act, 28 U.S.C. §§ 2201-2202, with the standing required under AIA § 18(a)(1)(B) to petition for CBM review. . . . In fact, Petitioner's interpretation of the standing requirement for CBM review contradicts the plain language of § 42.302(a), which requires not a generic dispute between Petitioner and [Patent Owner], but a "real and substantial controversy regarding infringement of a covered business method patent." 37 C.F.R. § 42.302(a) (emphasis added). Petitioner's position represents a novel interpretation of AIA § 18(a)(1)(B) that, if accepted by the Board, would relax, if not completely eliminate, the threshold "charged with infringement" requirement for CBM review.

Id. at 18–20. We agree with Patent Owner that a real and substantial controversy regarding infringement of the '849 patent has not been created by Petitioner's cause of action in the Illinois action seeking declaratory judgment of non-breach of the License Agreement. The controversy between the parties, regarding alleged contractual and tortious conduct arising out of an employment and business relationship gone awry, does not meet the threshold requirements of 37 C.F.R. § 42.302(a). The proper forum for the parties' disputes is the district court, not the Board in the guise of a covered business method petition challenging patentability of claims in the '849 patent, as to which neither a suit alleging infringement nor a charge of infringement has occurred.

Accordingly, based on the record before us, and for purposes of this Decision, we determine the information presented in the Petition and Reply does not establish that Petitioner had standing to file the Petition.

III. CONCLUSION

Petitioner has not established standing for filing a petition for covered business method patent review.

IV. ORDER

In consideration of the foregoing, it is hereby:

ORDERED that the Petition is *denied*; and

FURTHER ORDERED that no covered business method patent review is instituted.

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