

UNITED STATES PATENT AND TRADEMARK OFFICE

BEFORE THE PATENT TRIAL AND APPEAL BOARD

CQG, INC. and CQGT, LLC,
Petitioner,

v.

TRADING TECHNOLOGIES INTERNATIONAL, INC.,
Patent Owner.

Case CBM2015-00057 (Patent 6,766,304 B2)
Case CBM2015-00058 (Patent 6,772,132 B2)

Before SALLY C. MEDLEY, MEREDITH C. PETRAVICK, and
PHILIP J. HOFFMANN, *Administrative Patent Judges*.

MEDLEY, *Administrative Patent Judge*.

DECISION

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

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I. INTRODUCTION

CQG, Inc. and CQGT, LLC (collectively, “Petitioner”) filed a Petition requesting a covered business method patent review (CBM2015-00057) of claims 1–40 of U.S. Patent No. 6,766,304 B2 (“the ’304 patent”) and a Petition requesting a covered business method patent review (CBM2015-00058) of claims 1–56 of U.S. Patent No. 6,772,132 B2 (“the ’132 patent”). Paper 3 (“Pet.”).¹ In response, Trading Technologies International, Inc. (“Patent Owner”) filed a Patent Owner Preliminary Response in each proceeding. Paper 11 (“Prelim. Resp.”).

An issue raised by the parties in both proceedings, is whether 35 U.S.C. § 325(a)(1) applies to covered business method (CBM) patent reviews, and, if it does apply, whether Petitioner is barred in accordance with that section. For the reasons set forth below, 35 U.S.C. § 325(a)(1) does apply to covered business method patent reviews, Petitioner is barred in accordance with that section, and, therefore, the Petitions are *denied*.

II. ANALYSIS

A. *Background and Findings of Fact*

On August 17, 2005, Petitioner filed a complaint in the U.S. District Court for the District of Colorado for declaratory judgment (“Colorado DJ Action”) against Patent Owner challenging the validity of all claims in each of the ’304 and the ’132 patents under “Title 35 of the United States Code, including without limitation, Sections 101, 102, 103 and/or 112.” Ex. 1003, 4. On August 19, 2005, Patent Owner sued Petitioner in the Northern

¹ Unless otherwise indicated, citations are to CBM2015-00057.

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District of Illinois for infringement (“Illinois Infringement Action”) of the ’304 and ’132 patents. Ex. 1004. Petitioner moved to have the Illinois Infringement Action transferred to Colorado (Ex. 2006), and Patent Owner moved to have the Colorado DJ Action transferred to Illinois (Ex. 1005). Ultimately, on September 26, 2006, the Colorado DJ Action was transferred to Illinois. Ex. 1006.

On November 2, 2006, Patent Owner filed a Motion to Reassign and Consolidate seeking reassignment of the transferred Colorado DJ Action to the same judge presiding over the Illinois Infringement Action and consolidation of the cases. Ex. 1010, 4. Shortly thereafter, on November 9, 2006, Petitioner sent a Proposed Minute Order to the judge presiding over the Illinois Infringement Action, Judge Moran. Ex. 1012. The Proposed Minute Order includes granting Patent Owner’s Motion to Reassign and Consolidate, along with several specific forms of relief, such as reassigning the Colorado case to Judge Moran; dismissing without prejudice the Colorado DJ Action based on agreement of the parties; Patent Owner withdrawing its opposition in the Illinois Infringement Action to Petitioner’s motion to file an amended answer, affirmative defenses, and counterclaims; and granting Petitioner leave to file an amended answer, affirmative defenses, and counterclaims in the Illinois Infringement Action. *Id.* A copy of the Proposed Minute Order was apparently e-mailed from Petitioner to Patent Owner. *Id.* at 1. Based on the record before us, we find that the Proposed Minute Order, and all of the stipulations therein, were jointly agreed upon by Petitioner and Patent Owner. *Id.*

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Instead of deciding the Motion to Reassign and Consolidate, or outright executing the Proposed Minute Order, three separate orders were entered. The first order issued on November 14, 2006, reassigning the transferred Colorado DJ Action to Judge Moran. Ex. 1007. The second order dated December 1, 2006,² dismissed the Colorado DJ Action without prejudice, specifically stating that “[p]ursuant to *agreement of the parties*, this case is dismissed without prejudice.” Ex. 1008 (emphasis added). The third order, dated December 4, 2006, granted Petitioner leave to file an amended answer, affirmative defenses, and counterclaims in the Illinois Infringement Action. Ex. 1013.

In essence, the Illinois Court granted several of the requests made per the Proposed Minute Order. Petitioner is silent with respect to what was the “agreement of the parties.” Based on the totality of the facts before us, we agree with Patent Owner (Prelim. Resp. 6) that the “agreement of the parties” is reflected in the Proposed Minute Order.

The Illinois Action is still pending and has not been stayed. Paper 6.

B. Principles of Law

Section 18(a)(1) of the Leahy-Smith America Invents Act (“AIA”) establishes the transitional program for covered business method patents as follows:

SEC. 18. TRANSITIONAL PROGRAM FOR COVERED BUSINESS METHOD PATENTS.

(a) TRANSITIONAL PROGRAM.

² The presiding Judge made a docket entry in lieu of an “Order.”

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(1) ESTABLISHMENT.— . . . the Director shall issue regulations establishing and implementing a transitional post-grant review proceeding for review of the validity of covered business method patents. The transitional proceeding implemented pursuant to this subsection shall be regarded as, and shall employ the standards and procedures of, a post-grant review under chapter 32 of title 35, United States Code, subject to the following:

(A) Section 321(c) of title 35, United States Code, and subsections (b), (e)(2), and (f) of section 325 of such title shall not apply to a transitional proceeding.

AIA, Pub. L. No 112-29, § 18(a)(1), 25 Stat. 329 (2011). The AIA, thus, provides that a covered business method patent review proceeding shall employ the standards and procedures of a post-grant review under Chapter 32 of title 35 of the United States Code (i.e., 35 U.S.C. §§ 321 *et seq.*) except for those expressly carved out exceptions (i.e., 35 U.S.C. §§ 321(c) and 325(b), (e)(2), and (f)). Therefore, covered business method patent reviews are governed by the requirements of 35 U.S.C. § 325(a)(1), which states:

(a) INFRINGER’S CIVIL ACTION.—

(1) POST-GRANT REVIEW BARRED BY CIVIL ACTION.—A post-grant review may not be instituted under this chapter if, before the date on which the petition for such a review is filed, the petitioner or real party in interest filed a civil action challenging the validity of a claim of the patent.

35 U.S.C. § 325(a)(1).

C. 35 U.S.C. § 325(a)(1) applies to CBM Patent Reviews

Petitioner argues that 35 U.S.C. § 325(a)(1) only applies to post grant reviews and not to covered business method patent reviews. Pet. 15. The

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language of Section 18(a)(1) of the AIA clearly establishes that the transitional program for covered business method patents “shall be regarded as, and *shall employ the standards and procedures of, a post-grant review under chapter 32 of title 35, United States Code,*” with certain exceptions. Those exceptions do not include 35 U.S.C. § 325(a)(1). *See supra*. Thus, 35 U.S.C. § 325(a)(1) applies to covered business method patent reviews.

Petitioner further argues that rule 37 C.F.R. § 42.300(a) exempts covered business method patent reviews from being barred by an earlier filing of a declaratory judgment action. Pet. 16. There is no such exemption. *See SecureBuy, LLC v. CardinalCommerce Corp.*, Case CBM2014-00035, Paper 12 (PTAB April 25, 2014). Moreover, an addition to our rules clarifying that the 35 U.S.C. § 325(a)(1) prohibition applies to covered business method patent reviews, in the form of final rule 37 C.F.R. § 42.302(c), became effective May 19, 2015. *Amendments to the Rules of Practice for Trials Before the Patent Trial and Appeal Board*, Fed. Reg. 28,561, 28,566 (May 19, 2015).

For all of the above reasons, 35 U.S.C. § 325(a)(1) applies to covered business method patent reviews.

D. Petitioner Is Barred Under 35 U.S.C. § 325(a)(1)

Petitioner argues that, because the Colorado DJ Action was dismissed without prejudice, it is as if the Colorado DJ Action never existed, citing several Board and Federal Circuit decisions. Pet. 5–6. Patent Owner counters and argues that the dismissal without prejudice should not be treated as if the Colorado DJ Action never existed, because the claims raised in the Colorado DJ Action effectively continued in the Illinois Infringement

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Action, citing *Apple v. Rensselaer Polytechnics Institute*, Case IPR2014-00319, Paper 12 (PTAB June 12, 2014). Prelim. Resp. 7–8. Petitioner, however, argues that the *Apple* case is distinguishable, because, in that case, an earlier filed first infringement action was consolidated with a second infringement action prior to dismissal (without prejudice) of the first infringement action. In contrast, Petitioner argues that the Colorado DJ Action was not consolidated with the Illinois Infringement Action, but was dismissed without prejudice. Pet. 8–10.

Patent Owner argues that Petitioner’s arguments put form over substance and that all of the orders from the Illinois Court effectively gave the parties what Petitioner wanted—continuation of the Colorado DJ Action claims raised by Petitioner into the Illinois Infringement Action. Prelim. Resp. 6–10. Based on the facts of these proceedings before us, Patent Owner’s arguments are persuasive.

The Board panel in the *Apple* case made clear on rehearing that it was the immediate continuation of the first action into the second action, including the legal positions taken by the parties, that was the dispositive factor for determining that the dismissal without prejudice of the first case did not have the effect as if the first case never existed. *Apple*, Case IPR2014-00319, slip op. at 3–4 (PTAB July 31, 2014) (Paper 14). In rendering the original decision, the panel relied on *Brennan v. Kulick*, 407 F.3d 603 (3d Cir. 2005). *Apple*, Paper 12, slip op. at 6. In *Brennan*, the court explained that prior cases are treated as if they never existed after dismissal because “[a]n order merely dismissing a complaint without prejudice could result in a significant period of delay prior to the bringing of

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a new action.” *Brennan*, 407 F.3d at 607. The court further explained that with a conditional dismissal, a prior case would be treated as if it existed because “[t]he conditions specified in the order prevent a plaintiff from indefinitely extending the limitations period.” *Id.* Treating a case dismissed without prejudice as if it never existed, therefore, depends on the circumstances surrounding the dismissal.

Shortly after the Proposed Minute Order was sent to the Illinois Court, three separate orders were entered within days of one another. The first order reassigned the transferred Colorado DJ Action to Judge Moran. Ex. 1007. The second order dismissed the Colorado DJ Action without prejudice, “[p]ursuant to agreement of the parties.” Ex. 1008 (emphasis added). The third order granted Petitioner leave to file an amended answer, affirmative defenses, and counterclaims in the Illinois Infringement Action. Ex. 1013.

In accordance with the third order, Petitioner amended its answer, affirmative defenses, and counterclaims. Ex. 1014. The counterclaims are identical to those claims raised in the Colorado DJ Action. *Compare* Ex. 1003, 4 *with* Ex. 1014, 5, 7.

The actions of the Illinois Court, by way of the three orders and the content of those orders, allowed continuation of the claims made in the Colorado DJ Action by “agreement of the parties.” In essence, the Illinois Court authorized Petitioner leave to amend its answer to include claims made in the Colorado DJ Action into the Illinois Infringement Action. Ex. 1013. Thus, we agree with Patent Owner that it was as if the claims from the Colorado DJ Action continued into the Illinois Infringement Action. Prelim.

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Resp. 8. The actions of the Illinois Court were not made as if the Colorado DJ Action never existed. But for the Colorado DJ Action, there would have been no occasion for the Illinois Court to authorize Petitioner to amend its answer in the Illinois Infringement Action to add the claims made in the Colorado DJ Action.

Here, the legal positions of Petitioner in the Colorado DJ Action effectively continued in the Illinois Infringement Action. For these reasons, we are not persuaded by Petitioner's argument that the dismissal without prejudice of the Colorado DJ Action should be treated as if it never existed.

III. CONCLUSION

Section 325(a)(1) precludes us from instituting a covered business method patent review when the petitioner filed a civil action challenging the validity of a claim of the patent. 35 U.S.C. § 325(a)(1). For the reasons provided, Petitioner's filing of the Colorado DJ Action before filing its Petitions bars us from instituting a covered business method patent review of either of the '304 or '132 patents. We, therefore, deny the Petitions. We express no opinion regarding the likelihood that Petitioner would prevail in establishing that any of the challenged claims of the '304 or '132 patents are unpatentable for the reasons set forth in the Petitions.

IV. ORDER

It is:

ORDERED that the Petitions are *denied*.

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