

UNITED STATES PATENT AND TRADEMARK OFFICE

BEFORE THE PATENT TRIAL AND APPEAL BOARD

TEXAS ASSOCIATION OF REALTORS,
Petitioner,

v.

PROPERTY DISCLOSURE TECHNOLOGIES, LLC,
Patent Owner.

Case CBM2015-00069
Patent 7,584,167 B1

Before MICHAEL P. TIERNEY, MICHAEL W. KIM, and
JASON J. CHUNG, *Administrative Patent Judges*.

KIM, *Administrative Patent Judge*.

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

I. INTRODUCTION

A. *Background*

The Texas Association of Realtors (“Petitioner”) filed a First Amended Petition to institute a covered business method patent review of claims 1–20 of U.S. Patent No. 7,584,167 B1 (Ex. 1001, “the ’167 patent”). Paper 8 (“Pet.”). Think Computer Corporation (“Patent Owner”) filed a Preliminary Response. Paper 12 (“Prelim. Resp.”). For the reasons given below, we determine that Petitioner, on this record, does not have standing to file a covered business method patent review of the ’167 patent under § 18(a)(1)(B) of the Leahy-Smith America Invents Act (“AIA”)¹, and thus we do not institute a covered business method patent review in this proceeding.

B. *Related Proceedings*

Petitioner indicates that it has not been a party to any other post-grant review of the challenged claims, and that Petitioner is not as of yet party to any suit filed by Patent Owner. Pet. 15. Petitioner identifies two district court proceedings concerning the ’167 patent: *Property Disclosure Technologies LLC v. JBG Goodwin Realtors, Inc.*, Case No. 6:14-cv-00032-JDL (D. Del); *Property Disclosure Technologies LLC v. Better Homes and Gardens Real Estate LLC*, Case No. 6:14-cv-00013-JDL (D. Del). Pet. 14 (citing Exs. 1007, 1008).

Patent Owner asserts that “[t]here is no judicial or administrative matter that would affect, or be affected by, a decision in the proceeding.” Paper 5, 2. Patent Owner further asserts the following:

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

By way of background, in January 2014, Patent Owner filed thirteen patent infringement actions asserting the '167, '530, and '974 Patents against online real estate companies that collect and share disclosures regarding available property to end users.² (Ex. 2003). Patent Owner never named Petitioner in any of the actions nor directed any correspondence to Petitioner indicating that it would file suit against Petitioner. By January 21, 2015, the actions against all thirteen defendants were dismissed. *See* Exs. 2002, 2004, and 2005. Prelim. Resp. 8 (citing Exs. 2002–2005).

C. Asserted Grounds of Unpatentability and Evidence of Record

Petitioner challenges the claims as follows:

Reference(s)	Basis	Claims Challenged
	§ 101	1–20
	§ 112	1–20

² Patent Owner identifies the following companies: Better Homes and Gardens Real Estate LLC, Winans, Inc., BRER Affiliates LLC, Century 21 Real Estate LLC, Coldwell Banker Real Estate LLC, ERA Franchise Systems LLC, JBG Goodwin Realtors, Inc., Keller Williams Realty, Inc., Redfin Corporation, RE/MAX LLC, Sotheby's International Realty Affiliates LLC, Trulia, Inc., Weichert Co., and Zillow, Inc. Prelim. Resp. 8.

Reference(s)	Basis	Claims Challenged
State Disclosure Form ³	§ 102	1–20
Vista Info ⁴	§ 102	1–20
Realtor.com ⁵	§ 102	1, 5, 9–12, and 14–16

³ A collection of documents including the following (websites omitted): Texas Seller’s Disclosure Notice, (1993 Form); Texas Seller's Disclosure Notice, (Amended Form); Kansas 1998 Disclosure Form; Massachusetts 1990 Disclosure Form; Massachusetts 1999 Amended Disclosure Form; California 1991 Disclosure Form; Texas Property Code § 5.008, adopted by Texas Legislature, Senate Bill 1027, effective 1993, including the Texas Seller’s Disclosure of Property Condition Form and Report; Texas Property Code § 5.010, disclosure of tax liabilities; Texas Property Code § 5.011, disclosure of potential annexation; Texas Property Code, § 5.0012, disclosure of POA obligations; Texas Property Code § 5.013, disclosure of subsurface conditions; Texas Water Code § 49.452, disclosure of tax districts Texas Natural Resources Code § 33.135, disclosure of coastal area property; Texas Occupations Code § 1958.154, Disclosure of Mold Remediation; California Civil Code Section 1102–1102.17; California Senate Bill No. 1406, Passed in 1985, regarding Real Estate Disclosures; State of California, “Disclosures in Real Property Transactions,” originally published in 1993; California Disclosure Legal Q&A, 1995. Exs. 1023, 1024.

⁴ A collection of documents including the following (websites omitted): Sample Environmental Disclosure Report; VistaInfo’s website; Descriptions of VistaInfo’s products, including the StarView Real Estate Module, StarView SEARCH!, VistaCheck, VistaReports and Maps, and VistaCustom Solutions; VistaInfo’s Frequently Asked Questions (“FAQ”); VistaInfo’s website for real estate disclosures; VistaInfo press releases and periodical articles from 1998 and 1999; Homeseekers.com 10-K 1998 filings. Exs. 1025, 1026.

⁵ A collection of documents including the following: <https://web.archive.org/web/19990508053652/http://realtor.com/> (and related Realtor.com links and screenshots); January 1999 Article from Relator Magazine, “MLS, Meet the Internet,” 1998 Article, “Serving Maps on the Internet” by Christian Harder. Exs. 1027, 1028.

Reference(s)	Basis	Claims Challenged
the High Country system ⁶	§ 102	1–20
the Cyber Homes system ⁷	§ 102	1–20
the Home Hunter system ⁸	§ 102	1–20
the John Scott system ⁹	§ 102	1–20
the Owners.com system ¹⁰	§ 102	1–20
the Home Scout system ¹¹	§ 102	1–20
the Homeseeker system ¹²	§ 102	1–20
State Disclosure Form, Vista Info, and Realtor.com	§ 103	1–20

II. ANALYSIS

A. Whether Petitioner Has Standing to Seek Covered Business Method Patent Review of the '167 Patent

Petitioner asserts that it has standing to file a covered business method patent review of the '167 patent, because a real and substantial controversy regarding infringement of the '167 patent exists such that Petitioner has standing to bring a declaratory judgment action in federal court. Pet. 13–15 (citing Exs. 1007, 1008, 1013, 1014, 1016). Petitioner asserts several facts in support of its position. First, Petitioner asserts that Patent Owner has filed

⁶ Printouts from website. Ex. 1029.

⁷ Printouts from website. Ex. 1030.

⁸ Printouts from website. Ex. 1031.

⁹ Printouts from website. Ex. 1032.

¹⁰ Printouts from website. Ex. 1033.

¹¹ Printouts from website. Ex. 1034.

¹² Printouts from website. Ex. 1035.

suit against numerous real estate brokers and real estate industry providers who operate websites substantially similar to those owned by Petitioner. Second, Petitioner asserts that its clients and customers use data from its product in creating their own respective websites, that its clients and customers have been sued by Patent Owner, and thus, that Petitioner has standing to seek a declaratory judgment to protect its clients and customers from attack by Patent Owner.

Patent Owner disagrees that Petitioner has standing, asserting that neither Petitioner nor its real party-in-interest has been sued by Patent Owner for infringement, that no privy of petitioner has been sued for or charged with infringement sufficient to confer standing, and that Petitioner has failed to allege sufficient facts to show an actual controversy between Petitioner and Patent Owner. Prelim. Resp. 8–26.

B. Principles of Law

Section 18(a)(1)(B) of the AIA reads as follows:

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.

37 C.F.R. § 42.302(a) clarifies further that “[c]harged 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.”

The Declaratory Judgment Act provides that, “[i]n a case of actual controversy within its jurisdiction . . . any court of the United States . . . may declare the rights and other legal relations of any interested party seeking such declaration, whether or not further relief is or could be sought.”

28 U.S.C. § 2201(a). The phrase “a case of actual controversy” in the Act refers to the types of “cases” and “controversies” that are justiciable under Article III of the U.S. Constitution. *Aetna Life Ins. v. Haworth*, 300 U.S. 227, 239–40 (1937).

Although no bright-line rule exists for determining whether a declaratory judgment action satisfies Article III’s case-or-controversy requirement, the Supreme Court has held that the dispute must be “definite and concrete, touching the legal relations of parties having adverse legal interests,” “real and substantial,” and “admi[t] of specific relief through a decree of a conclusive character, as distinguished from an opinion advising what the law would be upon a hypothetical state of facts.” *MedImmune, Inc. v. Genentech, Inc.*, 549 U.S. 118, 127 (2007) (quoting *Aetna Life*, 300 U.S. at 240–41). “Basically, the question in each case is whether the facts alleged, under all the circumstances, show that there is a substantial controversy, between parties having adverse legal interests, of sufficient immediacy and reality to warrant the issuance of a declaratory judgment.” *Id.* (quoting *Md. Cas. Co. v. Pac. Coal & Oil Co.*, 312 U.S. 270, 273 (1941)). Simply disagreeing with the existence of a patent, or even suffering an attenuated, non-proximate, effect from the existence of a patent, however, does not meet the Supreme Court’s requirement for an adverse legal controversy of sufficient immediacy and reality to warrant the issuance of a declaratory judgment. *See MedImmune*, 549 U.S. at 127.

Furthermore, where a patent holder accuses customers of direct infringement based on the sale or use of a supplier’s equipment, the supplier has standing to commence a declaratory judgment action if (a) the supplier is obligated to indemnify its customers from infringement liability, or (b) there

is a controversy between the patentee and the supplier as to the supplier's liability for induced or contributory infringement based on the alleged acts of direct infringement by its customers. *See Arris Group, Inc. v. British Telecomms. PLC*, 639 F.3d 1368, 1375 (Fed. Cir. 2011).

C. Analysis

After reviewing the Petition, the Preliminary Response, and all relevant supporting evidence, we are unpersuaded that Petitioner has shown sufficiently, on this record, that it has standing to file a covered business method patent review of the '167 patent. Pet. 13–15 (citing Exs. 1007, 1008, 1013, 1014, 1016); Prelim. Resp. 8–26. We address in turn each of Petitioner's underlying assertions, and why they are individually and collectively inadequate under an “all-circumstances” framework to confer standing to bring a declaratory judgment action in federal court.

Petitioner first asserts it has standing to file a declaratory judgment action in federal court, because Patent Owner has filed suit against numerous real estate brokers and real estate industry providers who operate websites substantially similar to those owned by Petitioner, and thus, it also is in eminent danger of being sued for infringement. We disagree. For the reasoning as to why, we identify as most instructive our reviewing court's analysis in *Association for Molecular Pathology v. Myriad Genetics, Inc.*, 689 F.3d 1303 (Fed. Cir. 2012), as it provides guidance for both parties who have standing versus those who do not. Specifically, *Association for Molecular Pathology* involved a set of clinical researchers who desired to conduct clinical testing for the BRCA cancer gene covered by a patent owned by Myriad. There, the Federal Circuit distinguished between a set of researchers who had been contacted by and sent cease-and-desist letters

from the patent owner versus other researchers who had not had any contact with the patent owner, holding that only the former had standing to file a declaratory judgment action. Applied to the present proceeding, neither Petitioner nor Patent Owner has established any facts indicating that there has been direct contact between Petitioner and Patent Owner concerning the '167 patent prior this proceeding, let alone cease-and-desist letters. We determine that the absence of such direct contact weighs heavily against a determination that “there is a substantial controversy, between parties having adverse legal interests, of sufficient immediacy and reality to warrant the issuance of a declaratory judgment.” *MedImmune*, 549 U.S. at 127. Without direct contact, the facts here are much more akin to Petitioner simply disagreeing with the existence of a patent, or at best suffering an attenuated, non-proximate, effect from the existence of a patent, which the Supreme Court has held does not meet the requirement for an adverse legal controversy of sufficient immediacy and reality to warrant the issuance of a declaratory judgment. *Id.*

One fact that perhaps could distinguish Petitioner’s situation from that of the “other researchers” in *Association for Molecular Pathology* is that the “other researchers” had not practiced the claimed invention, whereas here, Petitioner arguably has. Although we agree that is a fact that weighs in Petitioner’s favor, we still determine that this fact is not sufficient to outweigh the other facts, among them, the fact that there has been no direct contact between Petitioner and Patent Owner concerning the '167 patent prior to this proceeding.

Petitioner additionally asserts that its clients and customers use data from its product in creating their own respective websites, that its clients and

customers have been sued by Patent Owner, and thus, that Petitioner has standing to seek a declaratory judgment to protect its clients and customers from attack by Patent Owner. We disagree. For the reasoning as to why, we apply our reviewing court's test set forth in *Arris Group, Inc.*, which held that the supplier has standing to commence a declaratory judgment action if (a) the supplier is obligated to indemnify its customers from infringement liability, or (b) there is a controversy between the patentee and the supplier as to the supplier's liability for induced or contributory infringement based on the alleged acts of direct infringement by its customers. *Arris Group, Inc.*, 639 F.3d at 1375. Beginning with factor (b), we determine that there is no sufficient controversy between Patent Owner and Petitioner for Petitioner to invoke standing to file a declaratory judgment for the same reasons as set forth above in our analysis under the framework set forth in *Association for Molecular Pathology*. Indeed, to show the supplier's liability for induced or contributory infringement, we would opine that a showing of direct contact between Petitioner and Patent Owner is even more necessary. For factor (a), neither Petitioner nor Patent Owner has proffered sufficient facts to establish that the Petitioner is obligated to indemnify its client and customers who have been sued by Patent Owner.

Petitioner relatedly submits an April 10, 2012 letter from Senator Charles Schumer, a sponsor of the AIA, to the U.S. Patent and Trademark Office, which purportedly supports Petitioner's position that "[a] party has standing to bring a CBM to protect clients and customer which use its products." Pet. 15 (citing Ex. 1016). Petitioner's submission is misplaced, however, as the relevant portion of the letter reads as follows:

Accordingly, the Office should adopt a rule establishing that *if the correspondence between the parties* has reached the point where a real and substantial controversy regarding a business method patent has arisen, such that the petitioner would have standing to bring a declaratory judgment action in federal court, the petition also has standing to initiate a business method review.

Ex. 1016, 4; emphasis added. As noted above, neither Petitioner nor Patent Owner has established any facts indicating that there has been any correspondence between Petitioner and Patent Owner concerning the '167 patent prior this proceeding.

Petitioner may be asserting that when considered in the aggregate under the “all-circumstances” framework, the first and second assertions combined do establish acts sufficient to confer standing to bring a declaratory judgment action. We disagree for the same reasons as set forth above in our analyses. Moreover, Patent Owner notes that all actions against Petitioner’s referenced clients and customers were dismissed as of January 15, 2015, while the first Petition in the instant proceeding was filed on February 2, 2015, and Patent Owner confirms that there is currently no pending district court proceeding concerning the '167 patent. Prelim. Resp. 8; Paper 5, 2. These facts further weigh against a determination that “there is a substantial controversy, between parties having adverse legal interests, of sufficient immediacy and reality to warrant the issuance of a declaratory judgment.” *MedImmune*, 549 U.S. at 127.

D. Observations

Although the Board does not make any determination concerning the substantive grounds set forth in the Petition, the Board observes that Petitioner incorporates by reference 177 pages of claim charts into the

Petition. Pet. 44, 51, 58 (citing Exs. 1023, 1025, 1027). *See* 37 C.F.R. § 42.6(a)(3) (“Arguments must not be incorporated by reference from one document into another document.”); *Cisco Sys., Inc. v. C-Cation Techs., LLC*, Case IPR2014-00454 (PTAB Aug. 29, 2014) (Paper 12) (informative); Rules of Practice for Trials Before the Patent Trial and Appeal Board and Judicial Review of Patent Trial and Appeal Board Decisions, 77 Fed. Reg. 48,756, 48,634–36 (Aug. 14, 2012) (responses to comments 86, 87, 92). The Board additionally observes that Petitioner sets forth 10 separate grounds of anticipation for 20 different claims based on 10 unrelated prior art references, some of the references having multiple components, in 31 pages (Pet. 35–65), and every permutation of obviousness for those same 10 unrelated references in 7 pages (Pet. 65–71). *See* 37 C.F.R. § 42.304(b)(4); *Zetec, Inc. v. Westinghouse Elec. Co., LLC*, Case IPR2014-00384 (PTAB July 23, 2014) (Paper 10).

E. Conclusion

On this record, we determine that Petitioner does not have standing to file a covered business method patent review of the ’167 patent under § 18(a)(1)(B) of the AIA, and thus we deny institution of a covered business method patent review of the ’167 patent. We note, however, that this denial is without prejudice, as given that § 18(a)(1)(A) tolls the timing related provisions of 35 U.S.C. § 321(c), Petitioner may be able to file another covered business method patent review of the ’167 patent, should the underlying facts differ from those set forth in this record.

III. ORDER

For the reasons given, it is
ORDERED that no trial is instituted.

CBM2015-00069
Patent 7,584,167 B1

For PETITIONER:

Don V. Kelly
dkelly@evans-dixon.com

For PATENT OWNER:

John R. Kasha
john.kasha@kashalaw.com

Niknaz Bukovcan
Niky.Bukovcan@BJCIPLaw.com