

UNITED STATES PATENT AND TRADEMARK OFFICE

BEFORE THE PATENT TRIAL AND APPEAL BOARD

CME GROUP, INC.,
Petitioner,

v.

VOLATILITY PARTNERS, LLC,
Patent Owner.

Case CBM2016-00024
Patent RE43,435 E

Before MICHAEL W. KIM, TRENTON A. WARD,
and KEVIN W. CHERRY, *Administrative Patent Judges*.

WARD, *Administrative Patent Judge*.

DECISION¹

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

¹A sealed “Parties and Board Only” version of this “Decision Denying Institution of Covered Business Method Patent Review” (“Decision”) was issued on June 30, 2016. Upon notice, neither party elected to file a Motion to Seal portions of this decision. Accordingly, the seal is lifted and the June 30, 2016 Decision is made public.

I. BACKGROUND

CME Group, Inc. (“Petitioner”) filed a Petition (Paper 4, “Pet.”) seeking a covered business method patent review of claims 1–50 (the “challenged claims”) of U.S. Patent No. RE43,435 E (Ex. 1001, “the ’RE435 patent”).² Volatility Partners, LLC (“Patent Owner”) filed a Preliminary Response. Paper 10.³ We have jurisdiction under 35 U.S.C. § 324, which provides that a post-grant review may not be instituted “unless . . . the information presented in the petition . . . would demonstrate that it is more likely than not that at least 1 of the claims challenged in the petition is unpatentable.”

After considering the Petition and Preliminary Response, and accompanying exhibits, we determine that Petitioner does not have standing to file a Petition for a covered business method review of the ’RE435 patent under § 18(a)(1)(B) of the Leahy-Smith America Invents Act (“AIA”)⁴ and 37 C.F.R. § 42.302. Accordingly, we deny institution of a covered business method patent review of the challenged claims of the ’RE435 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,

² A redacted version of the Petition was also filed. Paper 1.

³ Patent Owner also filed a public version of its Preliminary Response (Paper 12, Attachment A).

⁴ Pub. Law 112–29, 125 Stat. 284, 330 (Sept. 16, 2011).

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.

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

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 CBM2014-00166, slip op. at 9 (PTAB Feb. 17, 2015) (Paper 17), 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 fails to proffer sufficient proof to support Petitioner's standing to file the request for a covered business method review.

B. The License Agreement

U.S. Patent Number 7,328,184 ("the '184 patent") issued on February 5, 2008. Ex. 2001. On February 17, 2010 Patent Owner entered into a Patent License Agreement ("License Agreement") for the '184 patent with Chicago Mercantile Exchange, Inc. ("CMEI"), a party designated by Petitioner as a real party-in-interest in this proceeding. Prelim. Resp. 2; Pet. 1, 4; Ex. 1004.

The License states that "Licensor [Patent Owner] hereby grants Licensee [CMEI] a nonexclusive license to (a) make, have made, use, sell, offer for sale and import products embodying or made in accordance with *the inventions claimed in the VolContracts™ Patent. . .*" Ex. 1004, 2 (emphasis added). The License defines the term "VolContracts™ Patent" as follows: "WHEREAS, Krause was issued U.S. patent No. 7,328,184 B1, entitled 'FINANCIAL INSTRUMENTS, SYSTEM, AND EXCHANGES (FINANCIAL, STOCK, OPTION AND COMMODITY) BASED UPON REALIZED VOLATILITY,' on February 5, 2008 ('VolContracts™ Patent')." *Id.* at 1.

After entering into the License Agreement for the '184 patent, Patent

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Owner filed a reissue application on March 16, 2010. Ex. 1001. The reissue application ultimately issued as the 'RE435 patent on May 29, 2012.

Ex. 1001.

C. Petitioner's Contentions

Petitioner argues that as a result of the License Agreement between Petitioner and Patent Owner, and the current activities of the Petitioner in offering financial instruments based upon realized volatility, there is a real and substantial controversy such that Petitioner would have standing to raise a declaratory judgment of invalidity. Pet 5 (citing *MedImmune, Inc. v. Genentech, Inc.*, 549 U.S. 118 (2007); *Powertech Tech. Inc. v. Tessera, Inc.*, 660 F.3d 1301, 1309 (Fed. Cir. 2011)). Specifically, Petitioner argues that because the 'RE435 patent was filed more than two years after the issuance of the '184 patent, the claims of the 'RE435 patent can contain only subject matter commensurate with or narrower than the scope of the '184 patent. Pet. 3–4. Furthermore, Petitioner argues that because the License Agreement licenses “the inventions claimed in” the '184 patent, all of the claims of the 'RE435 patent are within the scope of the License Agreement as they are within the scope of the inventions claimed in the '184 patent. *Id.* Petitioner additionally argues that it currently offers for sale Realized Volatility trades on currency derivatives, including two “EUR/USD Realized Volatility Futures Contracts.” Pet. 4 (citing Declaration of Julie Winkler (“Winkler Decl.”), ¶ 4).

D. Patent Owner's Contentions

Patent Owner argues that Petitioner lacks standing because the mere existence of a license that the licensee is not practicing, and for which the licensor is not demanding royalties, is not sufficient to confer declaratory

judgment standing or AIA standing to bring the instant petition. Prelim. Resp. 7 (citing *Ocean Tomo, LLC v. Patent Ratings, LLC*, Case CBM2015-00157 (PTAB Jan. 26, 2016) (Paper 17) (“*Ocean Tomo*”). Patent Owner further argues that Petitioner lacks standing because Petitioner does not allege it has been sued for infringement, or that another dispute exists between the parties, or that there has been a specific charge of infringement related to the ’RE435 patent against a specific product. Prelim. Resp. 7. Relying upon a Declaration from the inventor of the ’RE435 patent, Robert Krause, Patent Owner makes the following representations:

(1) Patent Owner alleges it has never charged Petitioner, nor its real party-in-interest, customers or privies with infringement of the ’RE435 patent. Prelim. Resp. 8 (citing Ex. 2002 ¶ 8).

(2) Patent Owner alleges that it is not aware of any conduct of Petitioner which could form the basis of a charge of infringement of the ’RE435 patent. Prelim. Resp. 8 (citing Ex. 2002 ¶ 8).

(3) Patent Owner alleges that it has never sued Petitioner, nor its real party-in-interest, customers, or privies for infringement of the ’RE435 patent. Prelim. Resp. 8 (citing Ex. 2002 ¶ 7).

(4) Patent Owner alleges that it is not aware of any instance of Petitioner practicing the method of the ’RE435 patent, and CMEI has not traded any volatility contract according to the ’RE435 patent since it issued in 2012. Prelim. Resp. 8 (citing Ex. 2002 ¶¶ 3–6).

(5) Patent Owner alleges that it has not made any demand for payment of royalties of Petitioner or of any other party, whether pursuant to the License Agreement or otherwise. Prelim. Resp. 8–9 (citing Ex. 2002 ¶ 11).

Based on the statements above, Patent Owner argues that no activities have occurred that could give rise to a charge of infringement; thus,

Petitioner does not have standing to bring a declaratory judgment action on this Petition. Prelim. Resp. 9.

E. Analysis of Standing

Central to the dispute is the parties' disagreement over the applicability of the Supreme Court's holding in *MedImmune* to this case. Compare Pet. 3 (arguing *MedImmune* applies) with Prelim. Resp. 10–12 (arguing *MedImmune* does not apply). In *MedImmune*, patent owner Genetech had a preexisting license with MedImmune for its pending patent application, and, once its application issued as a patent, Genetech sent a “letter expressing its belief that [MedImmune's product] Syngis was covered by the [] patent and its expectation that petitioner would pay royalties.” *MedImmune*, 549 U.S. at 121. In finding that MedImmune could properly maintain a declaratory judgment action, the Supreme Court noted that if Genetech “were to prevail in a patent infringement action, petitioner [MedImmune] could be ordered to pay treble damages and attorney's fees, and could be enjoined from selling Synagis, a product that has accounted for more than 80 percent of its revenue from sales since 1999.” *Id.* at 122. The Supreme Court noted that MedImmune was unwilling to risk such serious revenue consequences; thus, MedImmune paid royalties under protest while pursuing a declaratory judgment action. *Id.*

In this case, unlike *MedImmune*, Patent Owner has not delivered a demand letter to Petitioner. See Prelim. Resp. 8–9; Ex. 2002 ¶¶ 9, 11. Furthermore, Patent Owner concedes that there “no actions have been taken that would warrant a charge of infringement.” Prelim. Resp. 12 (citing Ex. 2002 ¶¶ 6–12). Additionally, unlike *MedImmune*, Petitioner has not made any royalty payments under protest. See Prelim. Resp. 8–9; Ex. 2002 ¶¶ 9,

11. In fact, Patent Owner states that there are “no existing payment obligations arising from the use of the '[RE]435 Patent.” Prelim. Resp. 12–13 (citing Ex. 2002 ¶¶ 6–12). Patent Owner goes on to concede that “neither Petitioner nor CMEI is trading any product for sale that would fall within the scope of the '[RE]435 Patent, and Patent Owner is not aware of any plans to operate under the '[RE]435 Patent.” Prelim. Resp. 12–13 (citing Ex. 2001 ¶¶ 5–8).

In *Powertech*, the additional case relied upon by Petitioner as supporting declaratory judgment jurisdiction, the Federal Circuit noted that there must be an “adverse legal interest” for there to be declaratory judgment jurisdiction. *Powertech*, 660 F.3d at 1306 (citing *Arris Grp. Inc. v. British Telecomms. PLC*, 639 F.3d 1368, 1374 (Fed. Cir. 2011)). “This ‘adverse legal interest’ required a ‘dispute as to a legal right—for example, an underlying legal cause of action that the declaratory defendant could have brought or threatened to bring[,]’ and ‘[i]n the absence of such a legal controversy . . . , a mere adverse economic interest is insufficient to create declaratory judgment jurisdiction.’” *Id.* (citing *Arris Grp.*, 639 F.3d at 1374–75).

Here, we determine that Petitioner fails to sufficiently establish an “adverse legal interest” by failing to identify an underlying cause of action that Patent Owner could have brought or threatened to bring. First, Petitioner has not sufficiently established that the License Agreement covers the 'RE435 patent. The License Agreement licenses “the inventions *claimed* in the ['184 patent]” (Ex. 1004, 2). None of the claims in the original '184 patent was confirmed during the prosecution of the reissue application, as only claim 1 from the '184 patent was maintained in the reissue application, and this claim was amended during the prosecution of the

reissue application. See Ex. 1003, 26–40, 176–182, 189–203. Therefore, Petitioner fails to establish sufficiently how any of “the inventions *claimed* in the ’184 patent” are currently claimed in the ’RE435 patent.

Insofar as Petitioner is asserting that a claim in the ’RE435, whose scope is narrower than a claim in the ’184 patent, is the same as “the inventions *claimed* in the ’184 patent,” Petitioner has not cited sufficient authority or provided sufficient analysis in support of its assertion. Indeed, if anything, we discern the opposite, as sections 251 and 252 state, respectively, that “[w]henver any patent is, through error, deemed wholly or partly inoperative or invalid, . . . the Director shall, on the *surrender of such patent* . . . , reissue the patent for the invention disclosed in the original patent” and “[t]he *surrender of the original patent* shall take effect upon the issue of the reissued patent.” 35 U.S.C. §§ 251, 252 (emphasis added). The new reissue patent is a distinct property right that “does not simply replace an original patent *nunc pro tunc*.” *Intel Corp. v. Negotiated Data Sols., Inc.*, 703 F.3d 1360, 1364 (Fed. Cir. 2012) (citing *Spectronics Corp. v. H.B. Fuller Co.*, 940 F.2d 631, 637–38 (Fed. Cir. 1991)). To that end, we need not decide in this case the precise relationship between inventions in original patents and reissue patents, and original claims compared to amended or new claims, or both. It is enough, here, that Petitioner has not provided sufficient analysis, in the face of seemingly unfavorable case law, in order to meet its burden.

Petitioner also fails to establish sufficiently a reasonable apprehension of a charge of infringement based upon activities that would allegedly infringe the claims of the ’RE435 patent. As to its activities, Petitioner offers only a short statement from its Declarant Ms. Winkler that the “CME group currently offers one month and three month ‘EUR/USD Realized

Volatility Futures Contracts,’” Pet. 4 (citing Ex. 1005 ¶ 4). Neither Petitioner nor its Declarant offers any information about these contracts, the characteristics of the contracts, how they operate, any comparison of these products to the claims of the ’RE435 patent, or any basis as to why Petitioner might reasonably apprehend a charge of infringement of the ’RE435 patent in view of Petitioner’s offer for sale of these products. *See* Pet. 4–5; Ex. 1005 ¶¶ 1–4. With no information about the characteristics of its two futures contracts, Petitioner’s allegations amount to nothing more than a mere invitation to the Board to speculate about whether these products relate to the claims of the ’RE435 patent. Accordingly, we are not persuaded that Petitioner has established sufficiently an adverse legal interest in relation to the challenged patent.

Patent Owner argues that the Board’s decision in *Ocean Tomo* is instructive here, as the Board considered the existence of a licensing agreement and ongoing litigation regarding the license agreement, but ultimately determined the Petitioner lacked standing to bring a covered business method review petition. Prelim. Resp. 10 (citing *Ocean Tomo*, CBM2015-00157, (Paper 17)). In *Ocean Tomo*, the Board determined that despite the active litigation between the parties, the Petitioner did not have sufficient standing to bring its covered business methods patent review request because (1) there was no evidence that patent owner sued petitioner for infringement of the challenged patent, (2) petitioner failed to demonstrate sufficiently a charge by patent owner of petitioner’s infringement of the challenged patent, and (3) the petitioner’s cause of action for declaratory judgment of non-breach of contract did not establish a real and substantial controversy for purposes of covered business method review standing. *See Ocean Tomo*, slip. op. at 8–10. Similarly, in this matter, Petitioner fails to

establish at least that Patent Owner has sued Petitioner for infringement of the 'RE435 patent, Petitioner fails to establish sufficiently a charge by Patent Owner of infringement of the 'RE435 patent, and Petitioner fails to establish that the License Agreement provides the basis for a real and substantial controversy over the 'RE435 patent.

In accordance with 37 C.F.R. § 42.302(a), the Petitioner bears the burden of establishing “petitioner has been sued for infringement of the patent or has been charged with infringement under that patent.” Based on the record before us, and for purposes of this Decision, we determine the information presented in the Petition and supporting evidence 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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