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**UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF CALIFORNIA**

DEEP SKY SOFTWARE, INC., <p style="text-align: right;">Plaintiff,</p> <p style="text-align: center;">vs.</p> SOUTHWEST AIRLINES CO., a Delaware corporation, <p style="text-align: right;">Defendant.</p>	CASE NO. 10-cv1234-CAB (KSC) ORDER GRANTING DEFENDANT’S MOTION TO FIND THIS AN “EXCEPTIONAL CASE” [Doc. No. 44]
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This matter comes before the court on defendant’s motion for a determination that this patent-infringement case is “exceptional,” *see* 35 U.S.C. § 285, such that defendant is entitled to recover reasonable fees. [Doc. No. 44.] For the following reasons, defendant’s motion is **GRANTED**.

BACKGROUND

Dr. John Gorman filed a provisional application with the United States Patent and Trademark Office (“PTO”) on November 4, 2000 and a non-provisional application on March 30, 2001. [Doc. No. 44-1 at 121.] He sought to patent a system and method for filtering and sorting data in a graphical user interface. On May 18, 2004, the PTO approved the application and issued U.S. Patent No. 6,378,770 (“the ’770 Patent”), titled “System and Method for Filtering and Sorting Data,” with Dr. Gorman as inventor and plaintiff Deep Sky Software, Inc. as assignee. [*Id.*]

1 On June 9, 2010, Deep Sky filed its complaint here against defendant Southwest
2 Airlines Co. for infringement of the '770 Patent. Deep Sky asserted that a flight-search
3 function on Southwest's website infringed the '770 Patent. Southwest answered and
4 asserted counterclaims for noninfringement and invalidity.

5 On April 19, 2011, Southwest filed a request in the PTO for *inter partes*
6 reexamination of the '770 Patent. The court then stayed this action, and on July 15,
7 2011, the PTO granted Southwest' request for *inter partes* reexamination, finding that
8 it raised two substantial new questions ("SNQ's"):

9
10 SNQ 1

11 A substantial new question of patentability affecting claims 5–8, 10, 12,
12 16, 19, 21, 25, 27, 30–35 in relation to the important claim 5 limitation,
13 "wherein the identifying and sorting are done in response to receiving
14 character-by-character input or upon the lapse of a preset pause period" is
15 raised by the following cited prior art: *Spaey, MS Help Authority Kit,*
16 *Using Netscape Communicator 4, VB Source Code Library.*

17
18 SNQ 2

19 A substantial new question of patentability affecting claims 37, 41–42,
20 45–46 and 49 in relation to the important claim 37 limitation, "wherein the
21 sorting priority list is generated based at least in part upon the order in
22 which the user inputs filter criteria in the filter cells" is raised by the
23 following cited prior art: *Spaey, Marshall, Groff, MS Help Authoring Kit,*
24 *Using Netscape Communicator 4, VB Source Code Library.*

25 [Doc. No. 44-1 at 59–60.]

26 In an Office Action dated August 18, 2011, the Examiner rejected all of the '770
27 Patent claims that Deep Sky asserted in this case (namely claims 5-8, 10, 12, 16, 19, 21,
28 25, 27, 30–35, 37, 41, 42, 45, 46, and 49 of the '770 patent). [Doc. No. 44-1 at 3, 73.]

The Examiner held as follows:

- Claims 5–8, 12, 16, 19, 21, 25, 30–34, 37, 41, 42, and 46 were rejected as anticipated by Spaey et al., U.S. Patent Application Publication US 2002/0055981 A1, published 05/09/2002, filed 08/31/2001 (*Spaey*);
- Claims 5–8, 10, 12, 16, 19, 21, 25, 27, 30–35, 37, 41, 42, 45, 46 and 49 were rejected as obvious over Marshall et al., U.S. Patent No. 5,926,806, issued 7/20/1999, filed 10/18/1996 (*Marshall*), Groff et al., U.S. Patent No. 5,787,411, issued 7/28/1998 (*Groff*), and Mark R. Brown, Using Netscape Communicator 4 (Que 1997) (*Brown*); and

- Claims 5–8, 10, 12, 16, 19, 21, 25, 27, 30–35, 41–42, 45–46 and 49 were rejected as obvious over Thomas Chester & Richard H. Alden, *Mastering Excel 97* (Sybex, 4th ed. 1997) (*Mastering Excel 97*), in view of Brian Shea et al., *Visual Basic Source Code Library* (Sams Jan. 1999) (*VB Source Code Library*).

[Doc. No. 44-1 at 77–79.]

Deep Sky responded to the Office Action on October 21, 2011, including with the submission of a declaration by Dr. Gorman, pursuant to 37 C.F.R. § 1.131, to establish a date of conception and diligent reduction to practice that would pre-date the invalidating *Spaey* reference. In that declaration, Dr. Gorman disclosed to the PTO for the first time that “[a] key moment” in the development of his software “occurred when we purchased the Flexgrid product in 1999, as this provided tools enabling further development.” [Doc. No. 44-2 at 6, ¶ 15.]¹ He attached the invoice for his purchase of the VSFlexGrid program to his declaration. [Doc. No. 44-2 at 11.]

Southwest submitted Comments to Deep Sky’s response, pursuant to 37 C.F.R. §1.947, on November 17, 2011. [See Doc. No. 44-2 at 44–69.] Southwest included the VSFlexGrid Pro software program disclosed by Dr. Gorman and argued that the reference, rather than demonstrating an earlier date of conception, evidenced that Dr. Gorman did not conceive the claimed subject matter of the ’770 patent at all. [*Id.* at 47.] In Section II.A of its comments [*id.* at 50-53], Southwest provided a detailed analysis of the VSFlexGrid Pro program, in support of its argument that “instead of inventing, Dr. Gorman claimed subject matter that was part of a commercially available software program that he was using. . . . for its intended purpose and in a conventional manner.” [*Id.* at 50.]

On August 30, 2012, the Examiner issued the Action Closing Prosecution. [Doc. No. 44-2 at 71–101.] Following review of Deep Sky’s October 21, 2011 response and

¹Doc. No. 44-2 at 2-9, is a copy of Dr. Gorman’s amended declaration, dated September 26, 2012. His original declaration submitted with Deep Sky’s October 21, 2011 response to the Office Action is not included in the record before the court. It is clear however from Southwest’s comments filed with the PTO on November 17, 2011 and the examiner’s findings in the Action Closing Prosecution, dated August 30, 2012, that the disclosures pertinent to this opinion were part of the October 21, 2011 declaration submitted by Dr. Gorman.

1 Southwest’s November 17, 2011 Comments [*id.* at 81], the Examiner concluded that the
2 asserted claims of the ’770 patent were invalid. [*Id.* at 77–80.] The Examiner stated
3 that documents submitted in support of Dr. Gorman’s declaration indicated that “the
4 claimed elements existed independent of the Patent Owner’s labors.” [*Id.* at 81.]
5 Moreover, the Examiner found Southwest’s argument persuasive that the disclosure of
6 the VSFlexGrid Pro software program evidenced that Dr. Gorman did not in fact invent
7 the claimed subject matter of the ’770 patent but rather simply used the existing
8 available features of that software, and the Examiner incorporated those comments by
9 reference into his closing office action. [*Id.* at 95.]

10 Deep Sky filed a reply on October 1, 2012 to the Action Closing Prosecution, and
11 offered an amended declaration to “substitute for and supersede the 1.131 Declaration
12 of Dr. Gorman that was submitted with the Reply on October 18, 2011.” [Doc. No. 44-1
13 at 95.] On March 28, 2013, the Examiner issued a Right-of-Appeal Notice. [Doc. No.
14 44-1 at 85–102.] Dr. Gorman’s amended declaration, which made “substantial
15 changes” to his previous declaration, was rejected and not considered because Deep Sky
16 had not shown good cause for its necessity or for its tardy submission. [Doc. No. 44-1
17 at 96.] Consequently, the findings of the Examiner adopting the import of the
18 disclosure of the VSFlexGrid Pro software program remained undisturbed.

19 Deep Sky appealed to the Patent Trial and Appeal Board (“PTAB”). On
20 December 1, 2014, the PTAB affirmed, holding that the Examiner “has not erred in
21 rejecting [the asserted claims] as obvious under 35 U.S.C. § 103(a) over *Groff*,
22 *Marshall* and *Brown*.” [Doc. No. 44-1 at 118.] Because the PTAB affirmed the
23 obviousness rejection over *Groff*, *Marshall* and *Brown*, it did not reach the remaining
24 objections, as all claims subject to reexamination had been addressed and found
25 unpatentable. [*Id.*]

26 Deep Sky did not appeal the PTAB’s ruling to the Federal Circuit. On January
27 9, 2015, the parties notified the court that reexamination had concluded, so the stay was
28 lifted. [Doc. No. 43.] Southwest then filed its pending motion. [Doc. No. 45.]

1 DISCUSSION

2 A. Legal Standard

3 “The court in exceptional cases may award reasonable attorney fees to the
4 prevailing party” in a patent-infringement suit. 35 U.S.C. § 285. “[A]n ‘exceptional’
5 case is simply one that stands out from others with respect to the substantive strength
6 of a party’s litigating position (considering both the governing law and the facts of the
7 case) or the unreasonable manner in which the case was litigated.” *Octane Fitness, LLC*
8 *v. ICON Health & Fitness, Inc.*, 134 S. Ct. 1749, 1756, 188 L. Ed. 2d 816 (2014).
9 “District courts may determine whether a case is ‘exceptional’ in the case-by-case
10 exercise of their discretion, considering the totality of the circumstances.” *Id.*

11 B. Analysis

12 Deep Sky does not dispute that Southwest is the prevailing party. The issue
13 therefore is whether this is an “exceptional case.” Southwest argues that it’s
14 exceptional because Deep Sky (1) intentionally withheld material information from the
15 PTO, (2) failed to disclose material information to Southwest in this action, (3) asserted
16 baseless infringement claims, and (4) failed to dismiss this action despite its awareness
17 of invalidating prior art.

18
19 1. Failure to Timely Disclose Material Prior Art to the PTO and in
20 Compliance with Patent Local Rules

21 Southwest first argues that this is an exceptional case because plaintiff engaged
22 in inequitable conduct in the PTO. Deep Sky wrongly argues that “inequitable conduct
23 cannot be the primary basis for an attorney’s fees award” [Doc. No. 45 at 5.] If
24 a plaintiff knows that its patent would not have issued but for the intentional omission
25 of material information during prosecution of the patent, then the plaintiff knows that
26 the patent is invalid and acts deceitfully in suing for its infringement. Such
27 circumstances would support a finding of an exceptional case. *See, e.g., Beckman*
28 *Instruments, Inc. v. LKB Produkter AB*, 892 F.2d 1547, 1551 (Fed. Cir. 1989) (“Among

1 the types of conduct which can form a basis for finding a case exceptional are . . .
2 inequitable conduct before the P.T.O., . . .”).

3 Southwest argues that the record of the reexamination demonstrates that Dr.
4 Gorman engaged in inequitable conduct because he knew of the VSFlexGrid program,
5 knew that it was material to the prosecution of his patent application, and intentionally
6 withheld its disclosure from the PTO. *Therasense, Inc. v. Becton, Dickinson & Co.*, 649
7 F.3d 1276, 1296 (Fed. Cir. 2011). There’s no dispute that Dr. Gorman knew of the
8 program—he described its acquisition as “[a] key moment” in his development of the
9 patented technology. [Doc. No. 44-2 at 6, ¶ 15.] There is also no dispute that Dr.
10 Gorman did not disclose the program to the PTO during the initial prosecution of his
11 patent.

12 When the VSFlexGrid program was disclosed during reexamination, the
13 Examiner found Southwest’s argument persuasive that it demonstrated that Dr. Gorman
14 did not invent the claimed subject matter of the ’770 invention. In his final rejection
15 of the claims of the ’770 patent, the Examiner incorporated by reference Southwest’s
16 contention that Dr. Gorman did not conceive the inventive concepts of the asserted
17 claims but rather simply implemented available existing software as directed. Such a
18 conclusion supports a finding that the prior art software program would have been
19 material to the prosecution of a patent, and but for its nondisclosure, the PTO would not
20 have granted the patent. *Therasense, Inc.*, 649 F.3d at 1296.

21 The VSFlexGrid program was a material reference, and although it was
22 ultimately disclosed to the PTO by Deep Sky and Dr. Gorman, it should have been
23 disclosed during the initial prosecution. This was not simply prior art of which Dr.
24 Gorman was aware but may have deemed cumulative to his disclosures. This was prior
25 art that he considered key to the development and implementation of his claimed
26 invention—art that was ultimately determined to embody the claimed invention. As
27 such, the decision to withhold disclosure of this software program during the initial
28 prosecution of the patent, and to affirmatively represent that commercially available

1 programs did not have the claimed capability of the invention, was deceptive. A finding
2 of exceptional case is justified in these circumstances.

3 Southwest further argues that Deep Sky’s failure in this action to produce the
4 VSFlexGrid program violated Local Patent Rule 3.2.b, which requires a patent-
5 infringement plaintiff to produce “[a]ll documents evidencing the conception, reduction
6 to practice, design, and development of each claimed invention, which were created on
7 or before the date of application for the patent in suit or the priority date identified
8 pursuant to Patent L.R. 3.1.e, whichever is earlier.” Patent L.R. 3.2.b. In light of Dr.
9 Gorman’s declaration that the VSFlexGrid program was key to his conception, the
10 failure to identify it and produce it violated the good faith requirements of the local
11 patent rule. Early disclosure of this reference in accordance with the rules could have
12 substantially impacted and shortened the litigation and the reexamination proceedings.
13 These considerations further justify a finding that this an exceptional case.

14

15 2. The Merits of Deep Sky’s Infringement Claim

16 Deep Sky asserted that the flight-search function on Southwest’s website
17 infringed twenty-three claims of the ’770 Patent, including two independent claims and
18 twenty-one dependent claims. [Doc. No. 44-1 at 3.] Independent Claims 5 and 37 both
19 require a “a table comprising a *plurality of rows and columns of data cells . . .*” [’770
20 Patent at 10:52–11:2, 12:49–13:4] (emphasis added). Southwest argues that its accused
21 technology—its flight-search function—could not possibly have infringed any of the
22 asserted claims because it did not contain a *plurality* of columns of data cells. Rather,
23 it contained only one column of data cells, namely for departure cities or for arrival
24 cities. While the list of airports may have appeared in the search window as several
25 columns—*e.g.*, Acapulco to Harlingen, Hartford to Newark, Norfolk to Tulsa, and
26 Uruapan to Washington Dulles—this was simply one column of data cells wrapping
27 around the window due to space constraints. In contrast, the figures in the ’770 Patent
28 all showed different types of data in each column.

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Because this case was stayed while still in its early stages, there was no claim construction, motion practice or trial as to infringement. While Southwest may ultimately have prevailed on its noninfringement argument, there is insufficient record to determine that Deep Sky’s infringement claim was exceptionally meritless.

CONCLUSION

For the reasons set forth above, Southwest’s motion to declare this case exceptional under 35 U.S.C. § 285 [Doc. No. 44] is **GRANTED**. Southwest is directed to file its application for reasonable and necessary fees **no later than June 22, 2015**.

IT IS SO ORDERED.

DATED: June 1, 2015



CATHY ANN BENCIVENGO
United States District Judge