

**IN THE UNITED STATES DISTRICT COURT
FOR THE EASTERN DISTRICT OF TEXAS
TYLER DIVISION**

SOVERAIN SOFTWARE LLC,

Plaintiff,

vs.

ORACLE CORPORATION et al.,

Defendants.

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**CAUSE NO. 6:12-CV-141
(Lead Case)**

ORDER

Before the Court is Defendants’ Motion for Summary Judgment of Invalidity (Docket No. 180). In their Motion, Defendants argue that six claims asserted by Plaintiff Soverain Software LLC (“Soverain”) are invalid for obviousness. Docket No. 180 at 3. For the reasons set forth below, the Court **GRANTS** Defendants’ Motion and holds that the six asserted claims are invalid under 35 U.S.C. § 103.

BACKGROUND

On March 14, 2012, Soverain filed 13 actions against a number of defendants¹ alleging infringement of U.S. Patent Nos. 5,715,314 (“the ’314 Patent”) and 5,909,492 (“the ’492 Patent”). *See, e.g.*, Docket No. 1. The patents relate to electronic commerce, where a merchant’s products are offered and purchased online through computers interconnected by a network. Soverain asserts two groups of claims in this case: “shopping cart” claims and “hypertext statement” claims. The “shopping cart” claims are generally directed to a buyer designating products for purchase and initiating payment for those products through a computer

¹ The defendants remaining in this consolidated action at the time of this Order are The Home Depot Inc., eBay Inc., GSI Commerce Inc., PayPal Inc., RadioShack Corporation, Macys Inc., Macys.com Inc., and Bloomingdales Inc.

network. The “hypertext statement” claims are generally directed to a server computer providing transaction statements to a client computer. In October 2012, the Court consolidated these actions under the lead case, Cause No. 6:12-cv-141. Docket No. 62.

Procedural History

Soverain has asserted the ’314 and ’492 Patents in prior litigation, including two jury trials. In the first trial, this Court determined at the close of evidence that defendant Newegg Inc. had not presented evidence of obviousness and did not send the question of obviousness to the jury. *See Soverain Software LLC v. Newegg Inc.*, 836 F. Supp. 2d 462, 468, 478–79 (E.D. Tex. 2010) (holding that defendant Newegg had failed to establish a *prima facie* case of obviousness). At trial in a second case, a jury found that the two defendants, Victoria’s Secret Brand Management LLC and Avon Products Inc., infringed five claims and found that none of the asserted claims was invalid. *Soverain Software LLC v. J.C. Penney Corp., Inc.*, 899 F. Supp. 2d 574, 589 (E.D. Tex. 2012). This Court adopted the jury’s verdict in this second case. *Id.*

On appeal in the case against Newegg, the Federal Circuit held as a matter of law that all of Soverain’s asserted claims, including claim 34 of the ’314 Patent, are invalid as obvious. *Soverain Software LLC v. Newegg Inc.*, 705 F.3d 1333 (Fed. Cir. 2013) (“*Newegg I*”), *modified on reh’g*, 728 F.3d 1332 (Fed. Cir. 2013) (“*Newegg II*”), *cert. denied*, 134 S. Ct. 910 (2014). On appeal in the Victoria’s Secret and Avon case, the Federal Circuit held that collateral estoppel prevents Soverain from re-arguing the validity of the asserted claims in that case. *Soverain Software LLC v. Victoria’s Secret Direct Brand Mgmt., LLC*, No. 2012-1649, 2015 WL 570715, at *1 (Fed. Cir. Feb. 12, 2015) (“*Victoria’s Secret*”). The Federal Circuit held, “the asserted claims here are therefore invalid.” *Id.*

The Instant Actions

Soverain initially asserted 33 claims against the Defendants in this consolidated action.² Following the Federal Circuit's *Newegg I* decision, the parties jointly moved to stay all proceedings in this case until Soverain had petitioned for rehearing. Docket No. 131. The Court granted the stay. Docket No. 132. This case remained under a stay for approximately one year until this Court, at the parties' request, entered a schedule for summary judgment briefing on the issue of invalidity of the asserted claims. Docket No. 148. Following the completion of summary judgment briefing, the Federal Circuit issued its decision in *Victoria's Secret*. Thereafter, Soverain notified the Court that it "no longer asserts" 27 of the 33 claims it originally asserted against Defendants. Docket No. 210 at 3. However, Soverain maintains that six of the asserted claims "are not affected by the *Newegg* decision" and are not impacted by collateral estoppel. *Id.* at 4.

APPLICABLE LAW

Summary Judgment

Summary judgment shall be rendered when there is no genuine issue as to any material fact and the moving party is entitled to judgment as a matter of law. FED. R. CIV. P. 56(c); *Celotex Corp. v. Catrett*, 477 U.S. 317, 323–25 (1986); *Ragas v. Tenn. Gas Pipeline Co.*, 136 F.3d 455, 458 (5th Cir. 1998). An issue of material fact is genuine if the evidence could lead a reasonable jury to find for the non-moving party. *Anderson v. Liberty Lobby, Inc.*, 477 U.S. 242, 248 (1986). In determining whether a genuine issue for trial exists, the court views all inferences

² Soverain asserts eight additional claims (claims 1, 2, 9, 12, 13, 24, and 25 of the '314 Patent and claim 5 of the '492 Patent) in the *eBay* member case. *Soverain Software LLC v. eBay Inc. et al.*, Cause No. 6:12-cv-143 (E.D. Tex. Mar. 14, 2012). Those claims are not affected by this Order.

drawn from the factual record in the light most favorable to the nonmoving party. *Id.*; *Matsushita Elec. Indus. Co. v. Zenith Radio*, 475 U.S. 574, 587 (1986).

If the moving party has made an initial showing that there is no evidence to support the nonmoving party's case, the party opposing the motion must assert competent summary judgment evidence of the existence of a genuine fact issue. *Matsushita*, 475 U.S. at 586. Mere conclusory allegations, unsubstantiated assertions, improbable inferences, and unsupported speculation are not competent summary judgment evidence. *See Eason v. Thaler*, 73 F.3d 1322, 1325 (5th Cir. 1996); *Forsyth v. Barr*, 19 F.3d 1527, 1533 (5th Cir. 1994). The party opposing summary judgment is required to identify evidence in the record and articulate the manner in which that evidence supports its claim. *Ragas*, 136 F.3d at 458. "Only disputes over facts that might affect the outcome of the suit under the governing laws will properly preclude the entry of summary judgment." *Anderson*, 477 U.S. at 248. Summary judgment must be granted if the nonmoving party fails to make a showing sufficient to establish the existence of an element essential to its case on which it will bear the burden of proof at trial. *Celotex*, 477 U.S. at 322–23.

Obviousness

A patent is invalid under 35 U.S.C. § 103(a) "if the differences between the subject matter sought to be patented and the prior art are such that the subject matter as a whole would have been obvious at the time the invention was made to a person having ordinary skill in the art to which said subject matter pertains." Obviousness under § 103 is a question of law based on underlying facts. *Winner Int'l Royalty Corp. v. Want*, 202 F.3d 1340, 1348 (Fed. Cir. 2000). Factual inquiries necessary for establishing obviousness include:

(1) the scope of and content of the prior art; (2) the differences between the claimed invention and the prior art; (3) the level of ordinary skill in the art; and (4) any relevant secondary considerations.

Dystar Textilfarben GmbH & Co. Deutschland KG v. C.H. Patrick Co., 464 F.3d 1356, 1360 (Fed. Cir. 2006) (citing *Graham v. John Deere Co. of Kansas City*, 383 U.S. 1, 17–18 (1966)). Summary judgment of obviousness is appropriate if “the content of the prior art, the scope of the patent claim, and the level of ordinary skill in the art are not in material dispute, and the obviousness of the claim is apparent in light of these factors.” *KSR Int’l Co. v. Teleflex Inc.*, 550 U.S. 398, 427 (2007).

ANALYSIS

Defendants argue that the six remaining claims asserted by Sovereign are invalid for obviousness in light of *Newegg* and *Victoria’s Secret*. See Docket No. 180 at 23. All six claims depend from either claim 34 or claim 39 of the ’314 Patent, which the parties do not dispute have been found obvious by the Federal Circuit.

Claims at Issue

The six remaining asserted claims fall into three groups based on the limitations they add to claims 34 or 39.

A. Claims 49 and 109 – Payment Message Activation Claims

Claims 49 and 109 recite a requirement that a shopping cart computer activate a payment message after receiving a message from the buyer computer.³ Defendants argue that when the Federal Circuit invalidated claim 34 in *Newegg*, it found “(i) the creation of a payment message; (ii) the activation of a payment message; and (iii) the initiation of a payment transaction” in the

³ Claim 49 is representative and recites:

A network-based sales system in accordance with claim 34, wherein the buyer computer activates the payment message by transmitting a message to the shopping cart computer that causes the payment message to be activated.

prior art. Docket No. 180 at 20. With that guidance, Defendants contend, the limitations of claims 49 and 109 are inherent in the shopping cart system. *Id.* Defendants further propose that “causes the payment message to be activated” should be construed as “causes an action associated with the payment message.” *Id.* at 20. Finally, Defendants argue that the limitation is obvious in light of the CompuServe Mall prior art. *Id.* at 20–23. Defendants support their argument with a declaration by their expert, Mr. Trevor. *Id.* at 22–23.

In response, Soverain faults Defendants for their proposed claim construction. Docket No. 189 at 10. According to Soverain, Mr. Trevor “preempts the *Markman* process, usurps this Court’s authority, and takes it upon himself to construe a few claim terms.” *Id.* In doing so, Soverain argues, Mr. Trevor proposes an overbroad construction that is not limited to “initiating a payment transaction,” as required by the claim. *Id.* Soverain submits a declaration by its expert, Dr. Rhyne, in support of this point. *Id.* Additionally, Soverain argues that fact disputes preclude summary judgment because it is unclear “whether the buyer computer transmits a message that causes the payment message to be activated.” *Id.* at 12.

B. Claims 74 and 134 – Payment Confirmation Claims

Claims 74 and 134 include the limitations of claims 49 and 109 and add the additional limitation that a payment confirmation document is sent to the buyer computer.⁴ Defendants argue that the additional “payment confirmation” feature is obvious as a matter of common sense. Docket No. 180 at 24, 26. Without it, Defendants argue, a user “would have no idea whether anything happened” as a result of clicking a payment or order button. *Id.* Defendants

⁴ Claim 74 is representative and recites:

A network-based sales system in accordance with claim 34, wherein the buyer computer activates the payment message by transmitting a message to the shopping cart computer that causes the payment message to be activated;
wherein the shopping cart computer transmits a payment confirmation document to the buyer computer.

acknowledge that the term “payment confirmation document” has not been construed, but propose the construction, “a document that seeks confirmation of payment details already known or that requests that the user provide payment information.” *Id.* at 24. Further, Defendants contend that the CompuServe Mall prior art “plainly encompasses” this limitation. *Id.* at 24–25.

Soverain responds that a “person of ordinary skill in the art would not necessarily adopt” Defendants’ proposed claim construction. Docket No. 189 at 11, 13. Soverain argues that if Defendants’ proposal is incorrect, their “assertions of obviousness are inapplicable.” *Id.* at 14.

C. Claims 84 and 144 – Name and Password Request Claims

Claims 84 and 144 recite a limitation that the shopping cart computer asks a user to log in to the system in response to the user having added items to a shopping cart.⁵ Defendants argue that “the concept of asking a user to login to the system once the user has begun shopping involves no significant technical innovation, but is a trivial step that was well known to those skilled in the art.” Docket No. 180 at 27. Defendants contend that online shopping is merely an analogue to brick-and-mortar stores. *Id.* Defendants also argue that although the CompuServe Mall prior art disclosed authentication *before* access to a database, the introduction of HTTP has allowed websites to obtain authentication closer to the point of purchase. *Id.* at 27–29. According to Defendants, this technological innovation alleviated the frustration caused by older, upfront authentication methods. *Id.* at 29. Finally, Defendants argue that U.S. Patent No. 5,724,424 (“the Gifford Patent”) teaches this limitation. *Id.* at 29–30.

⁵ Claim 84 is representative and recites:

A network-based sales system in accordance with claim 34, wherein the shopping cart computer, in response to the plurality of shopping cart messages, causes an account name and password request message to be transmitted to the buyer computer.

In response, Soverain contends that the Court must first construe various claim limitations, including “account name and password request message,” “to be transmitted,” and “in response to the plurality of shopping cart messages” before ruling on summary judgment. Docket No. 189 at 11. Soverain also argues that Defendants’ explanation of HTTP is “largely uncorroborated and unsupported.” *Id.* at 14. Finally, Soverain argues that the Gifford Patent does not contain the claim limitation of an account name and password because the credentials disclosed in the Gifford Patent are optional, rather than required. *Id.* at 14–15.

Discussion

As an initial matter, this Court must accept, and the parties do not dispute, the Federal Circuit’s determination that Soverain’s previously asserted claims are invalid. Thus, in light of the Federal Circuit’s rulings in *Newegg* and *Victoria’s Secret*, this Court focuses its examination on whether the limitations added by the asserted dependent claims save them from the same obviousness determination. *See Pfaff v. Wells Electronics, Inc.*, 525 U.S. 55, 60 (1998). The Court held a hearing on Defendants’ Motion on March 9, 2015. *See* Docket No. 211.

Soverain fails to present an issue of material fact or a claim construction dispute that precludes summary judgment on claims 49, 74, 84, 109, 134, and 144. Claims 49 and 109 contain language nearly identical to claim 34, but additionally require that the buyer computer “transmit[] a message to the shopping cart computer that causes the payment message to be activated.” Claim 34 requires that the “buyer computer be programmed . . . to cause [the] payment message to be activated.” Although claims 49 and 109 contain the additional words “transmit[] a message,” Soverain does not present sufficient evidence to demonstrate that this limitation transforms an obvious claim into a nonobvious one. *See Newegg I*, 705 F.3d at 1340–41 (finding every element of claim 34 present in the prior art).

Claims 74 and 134 differ from claims 49 and 109 only in that they additionally require the shopping cart computer to transmit a payment confirmation document to the buyer computer. Defendants propose a construction of the term “payment confirmation document” that aligns with the plain and ordinary meaning of the term. Instead of refuting Defendants’ argument, which Defendants support with prior art documentation, evidence from a previous trial, and an expert declaration, Sovereign contends that Defendants’ construction should “not necessarily [be] adopt[ed].” Docket No. 189 at 11. Such an argument is insufficient to overcome the body of evidence presented by Defendants, let alone demonstrate that a confirmation feature within a “network-based sales system” is not obvious. *See Newegg I*, 705 F.3d at 1341 (determining that an expert’s equivocal statements are not evidence of nonobviousness).

Finally, claims 84 and 144 require that the shopping cart computer request account name and password information from the buyer computer. Sovereign fails to rebut Defendants’ argument and evidence that such authentication would have been obvious to a person having ordinary skill in the art. Sovereign attempts to discredit Defendants’ “largely uncorroborated and unsupported ‘explanation’ of HTTP,” but in doing so offers nothing to demonstrate a flaw in Mr. Trevor’s analysis. Sovereign’s unsubstantiated disagreement with Defendants’ position is insufficient to raise a genuine issue of material fact with respect to these claims. Finally, with respect to Sovereign’s argument that the Gifford Patent teaches “optional” authentication credentials, even a disclosure of optional elements may be relevant to a finding of obviousness. *See Upsher-Smith Labs., Inc. v. Pamlab, L.L.C.*, 412 F.3d 1319, 1322–23 (Fed. Cir. 2005) (holding that a vitamin supplement reference with “optional” antioxidants “teaches vitamin supplement compositions that both do and do not contain antioxidants”).

Throughout the briefing, Soverain fails to counter Defendants' clear and convincing evidence and instead insists that summary judgment is inappropriate prior to formal claim construction. Although claim construction may often be a necessary predicate to summary judgment briefing, Soverain's attempts to avoid invalidity here are without merit. In February 2014, the parties jointly proposed "an expedited briefing schedule" on Defendants' Motion for Summary Judgment and stated that resolution of this issue would guide further proceedings in this case. *See* Docket No. 143 at 1–2. After Soverain made these representations to the Court, it was incumbent on Soverain to make its case regarding the validity of the claims. Defendants present claim constructions supported by expert testimony and the Court's prior constructions to argue that the six remaining asserted claims are obvious. Yet, Soverain fails to assert competent summary judgment evidence, and simply relies on its unsupported refrain that the Court must first construe the claims.

Given the extensive history of these patents in this Court and at the Federal Circuit, Soverain's argument does not withstand summary judgment. *See Becton Dickinson & Co. v. C.R. Bard, Inc.*, 922 F.2d 792, 797 (Fed. Cir. 1990) ("A mere dispute concerning the meaning of a term does not itself create a genuine issue of material fact."); *Southwall Techs. v. Cardinal IG*, 54 F.3d 1570, 1577–78 (holding that expert declarations that fail to show how one of skill in the art would interpret a claim term are "only conclusory legal opinions" and are "entitled to no weight"). To allow the case to proceed solely for the purpose of formal claim construction, despite Soverain's failure to raise a material claim construction dispute here, would waste party and judicial resources. Indeed, Soverain fails to describe how a single construction would differ from Defendants' proposals.

Whether the Court examines claims 49, 74, 84, 109, 134, and 144 according to their plain and ordinary meaning or through Defendants' proposed constructions, it is clear that they do not add meaningful limitations that distinguish them from claims previously held invalid as a matter of law.

CONCLUSION

For the reasons set forth above, the Court holds that claims 49, 74, 84, 109, 134, and 144 of the '314 Patent are invalid under 35 U.S.C. § 103 for obviousness and therefore **GRANTS** Defendants' Motion for Summary Judgment (Docket No. 180). Pursuant to the parties' stipulations in the briefing, the Court **DISMISSES** Sovereign's claims against the Defendants in Cause Nos. 6:12-cv-141, 6:12-cv-142, and 6:12-cv-147. *See* Docket No. 210 at 4 (specifying claims currently asserted against each Defendant).

The Clerk of the Court is directed to close the three causes listed above. Additionally, the Order of Consolidation (Docket No. 62) is **VACATED**. All future filings relevant to the parties in Cause No. 6:12-cv-143 shall be made in that unconsolidated action.⁶

So ORDERED and SIGNED this 30th day of March, 2015.



LEONARD DAVIS
UNITED STATES DISTRICT JUDGE

⁶ *Sovereign Software LLC v. eBay Inc. et al.*, Cause No. 6:12-cv-143 (E.D. Tex. Mar. 14, 2012) involves eight asserted claims not affected by this Order. Therefore, Cause No. 6:12-cv-143 shall remain active.