

Seyfarth PTAB Blog



A legal look at Patent Trial and Appeal Board decisions and trends

Litigating a Software Patent is not *Per Se* Sanctionable

By Patrick T. Muffo

The Supreme Court's *Alice* decision clearly indicated a dramatic shift in the way software patents are treated by the courts and reduced software patent litigation in the process. One defendant took this a step further and moved for attorneys' fees against a patent owner – simply for continuing to assert a software patent post-*Alice*.

Background

In *Credit Acceptance Corporation v. Westlake Services, LLC et al*, 2-13-cv-01523 (CACD November 2, 2015) Credit Acceptance sued Westlake Services pre-*Alice*, and Westlake filed a Covered Business Method (CBM) review petition challenging the claims for, among other things, want of patentable subject matter. The PTAB cancelled only some of the claims as lacking patentable subject matter, and Westlake then filed a second CBM petition post-*Alice* to challenge the remaining claims. While the second CBM petition was still pending, Credit Acceptance moved to voluntarily dismiss the case with a covenant not to sue Westlake.

Westlake was not satisfied and moved for attorneys' fees. Among other reasons, Westlake argued it should be entitled to attorneys' fees because "Plaintiff's 'failure to recognize the dramatic sea change heralded by *Alice* and the Federal Circuit and PTAB cases which followed [illustrates] its unreasonable litigation tactics,' particularly given 'several Federal Circuit decisions and PTAB decisions post-*Alice* have found claims similar to the '807 unpatentable subject matter.'"

Motion Denied

Judge Otero, in the Central District of California, clearly viewed the motion as one that would create bad precedent:

Defendants' arguments, when taken to their logical conclusion, would appear to require that any plaintiff asserting a patent 'similar to' patents found unpatentable under Section 101 in a separate case voluntarily dismiss with prejudice their infringement claims—or perhaps even forfeit their patents altogether—or face the risk of an attorneys' fee award...

The court also noted the invalidity case was never a slam dunk, nor is it now: “[I]t is far from clear that each of the claims of the ‘807 Patent fails to recite patent-eligible subject matter, either before or after *Alice*, *Ultramercial*, and other decisions cited by Defendants.” Of course, the Order cited the longstanding principle that patents are presumed valid, so it would be nonsensical to award attorneys’ fees for the basic act of enforcing a presumptively valid patent.

Westlake’s Litigation Missteps

The court was obviously annoyed by several of Westlake’s errors. The Order noted Westlake moved for sanctions twice, only to withdraw the first motion and have the second motion stricken for failure to follow the local rules. Westlake also exceeded the local rule on page limits in its Motion for Attorneys’ Fees, and was precluded from filing a reply due to this oversight. Finally, after Westlake’s first CBM petition was denied, Westlake represented to the court that a second CBM petition would be filed by July 25, 2014. The petition was not filed until August 15, 2014, leading the court to issue an Order to Show Cause against Westlake for its “failure to file a second petition by their self-imposed deadline.” It is difficult to determine for sure whether these errors factored into the court’s decision, but their citation across the Order is glaring.

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