

**UNITED STATES DISTRICT COURT  
CENTRAL DISTRICT OF CALIFORNIA**

**CIVIL MINUTES - GENERAL**

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**CASE NO.:** SA CV 13-00657 SJO (JPRx) **DATE:** February 4, 2014

**TITLE:** AutoAlert, Inc. v. DealerSocket, Inc.

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**PRESENT: THE HONORABLE S. JAMES OTERO, UNITED STATES DISTRICT JUDGE**

Victor Paul Cruz  
Courtroom Clerk

Not Present  
Court Reporter

**COUNSEL PRESENT FOR PLAINTIFF(S):** **COUNSEL PRESENT FOR DEFENDANT(S):**

Not Present

Not Present

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**PROCEEDINGS (in chambers): REDACTED ORDER DENYING PLAINTIFF'S MOTION FOR PRELIMINARY INJUNCTION [Docket No. 12]**

This matter is before the Court on Plaintiff AutoAlert, Inc.'s ("Plaintiff") Motion for Preliminary Injunction ("Motion"), filed on September 13, 2013. Defendant DealerSocket, Inc. ("Defendant") filed an Opposition to the Motion on November 18, 2013, Plaintiff filed a Reply on December 16, 2013, and Defendant filed a Sur-Reply on January 6, 2014. The Court held a hearing and heard oral argument on February 3, 2014. For the following reasons, the Court **DENIES** Plaintiff's Motion.

**I. FACTUAL AND PROCEDURAL HISTORY**

Plaintiff is a Nevada corporation<sup>1</sup> with a principal place of business in Irvine, California. (First Amended Compl. ("FAC") ¶ 4, ECF No. 51.) Defendant is a Delaware corporation with a principal place of business in San Clemente, California. (FAC ¶ 5.) Plaintiff is a "one product company" that provides car dealers with valuable software that "identifie[s] the people most likely to trade in their current vehicle for a new vehicle if offered the opportunity to do so." (Mot. 1.) Plaintiff's software does this by allowing car dealers to easily compare the monthly payments on a former customer's current car with the calculated monthly payments on a potential new car for that customer. (Mot. 3.) This calculation is based on the purchase price of the new car, the candidate's creditworthiness, and the estimated equity the candidate has in the existing car, which can be traded in for the new car. (Mot. 3.) The difference in monthly payments serves as a "predictor of whether the candidate presents an attractive sales opportunity for the dealer." (Mot.

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<sup>1</sup> In the original Complaint, Plaintiff incorrectly stated that it was a California corporation. (Compl. ¶ 4, ECF No. 1.) The parties stipulated to amend the original Complaint to correct this mistake (Stipulation to Amend Compl., ECF No. 50), after Defendant noted the discrepancy in the Opposition (Opp'n 1-2, ECF No. 43).

**DS EXHIBIT 1017**

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3-4.) Plaintiff asserts that it owns five patents on this technology, including one of the patents-in-suit, U.S. Patent No. 8,396,791 (the "'791 Patent"). (See *generally* FAC.)

Plaintiff states that Jeffrey Cotton ("Cotton"), a successful car salesman, invented the systems and methods claimed in the '791 Patent more than ten years ago. (Reply 5-6, ECF No. 91.) Plaintiff asserts that after conceiving the idea, Cotton joined Brad Codd ("Codd"), the computer programmer who implemented Cotton's idea, and Boyd Warner ("Warner") to found Codd, Cotton & Warner ("CC&W") in 2003. (Reply 5.) Following a dispute between Codd and the other partners, Codd left the company, which was then renamed AutoAlert. (Reply 5.) Defendant disputes Cotton's sole invention of the patented technology, and claims instead that Codd was the actual inventor, or alternatively a joint inventor, of the '791 Patent. (Opp'n 15-18.)

Today, Plaintiff provides its lead-generating software to over 2,300 car dealers nationwide. (Mot. 6.) Plaintiff offers this software, its only product, at a rate of about \$2000 per month. (Mot. 20.) Defendant, by contrast, offers a portfolio of Customer Relationship Management ("CRM") services and dealership training services to over 3,000 car dealers. (FAC ¶ 7.) In February 2012, Defendant first publicized its intent to offer RevenueRadar, software that performs the same services as AutoAlert, as an add-on to its services. (Mot. 7.) Defendant prices RevenueRadar at the significantly reduced rate of \$1000 per month, which Plaintiff argues is a feasible price only because RevenueRadar is an add-on and not a stand-alone product. (Mot. 9.) One month after its announcement, Defendant withdrew RevenueRadar from the market and ceased offering demonstrations of the product. (Reply 8.) On April 15, 2012, Defendant announced its intention to relaunch RevenueRadar (Opp'n 22), but the product remained off the market for close to a year (Reply 8). In June 2012, Plaintiff wrote to Defendant to request a meeting to discuss RevenueRadar's potential infringement of Plaintiff's patents. (Reply 8.) This meeting was originally scheduled for December 2012 and ultimately postponed until February 20, 2013. (Reply 8.) On March 8, 2013, Plaintiff suggested to Defendant a business solution resolving the dispute. (Reply 8.)

With negotiations stagnant between the two companies, Plaintiff filed this action on April 25, 2013, alleging infringement of all five of Plaintiff's patents. (See *generally* Compl.) Plaintiff argues that because it continued to seek a business solution, it did not serve the complaint until August 2, 2013. (Reply 8-9.) Six weeks later, on September 13, 2013, Plaintiff filed the instant Motion seeking a preliminary injunction based on Defendant's alleged infringement of Claims 1 and 4 of the '791 Patent. Claim 1 of the '791 Patent reads as follows:

*A method comprising:*

*by a computer system comprising computer hardware:*

*retrieving at least a portion of customer information, first financial terms that a customer has for a first vehicle, and first vehicle information;*

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*retrieving at least a portion of second vehicle information for a second vehicle and second financial terms available to the customer for the second vehicle;*

*receiving a configuration request for replacing the first vehicle of the customer with a different vehicle;*

*in response to the configuration request, retrieving current information associated with at least one of the customer information, the first financial terms that the customer has for the first vehicle, the first vehicle information, the second vehicle information, or the second financial terms available to the customer for the second vehicle;*

*determining, by the computer system, whether the current retrieved information may affect whether it is favorable for the customer to replace a first vehicle and first financial terms with a second vehicle and second financial terms by at least:*

*-calculating one or more new payments based on an estimated equity value of the first vehicle derived from the first financial terms, and, based on the second financial terms; and*

*-determining if the one or more new payments satisfy at least a condition based at least in part on the first financial terms and the second financial terms, wherein the determination comprises calculating a difference between the one or more new payments and an existing periodic payment for the first vehicle, and determining whether the difference is less than or equal to a preset acceptable threshold value;*

*generating a message if it is determined that the retrieved information may affect whether it is favorable for the customer to replace the first vehicle and first financial terms with the second vehicle and second financial terms; and*

*transmitting the message to a dealer.*

Claim 4 of the '791 Patent is dependant on Claim 1 and reads as follows:

*The method of claim 1, wherein the message is configured to be read by a dealer terminal configured for managing the message, wherein managing the message includes at least one of assigning the message to a user for handling, associating a task with the message, and assigning a status to the message.*

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On November 18, 2013, Defendant filed an Opposition, and on December 16, 2013, Plaintiff filed its Reply. On January 6, 2014, Defendant filed a Sur-Reply in opposition to the Motion. (ECF No. 87.)

II. DISCUSSION

To succeed, a party seeking a preliminary injunction "must establish that [it] is likely to succeed on the merits, that [it] is likely to suffer irreparable harm in the absence of preliminary relief, that the balance of equities tips in [its] favor, and that an injunction is in the public interest." *Winter v. Natural Res. Def. Council, Inc.*, 555 U.S. 7, 20 (2008). This traditional four-part test also applies to patent disputes. See *eBay Inc. v. MercExchange, LLC*, 547 U.S. 388, 391 (2006) (holding that the traditional equitable test for permanent injunctions "appl[ies] with equal force to disputes arising under the Patent Act"). Because motions for preliminary injunctions enjoining patent infringement involve substantive questions of patent law, Federal Circuit law governs. *Revision Military, Inc. v. Balboa Mfg. Co.*, 700 F.3d 524, 525 (Fed. Cir. 2012). The Court examines each of the four requirements in turn.

A. Likelihood of Success on the Merits

"For a patentee to establish that it is likely to succeed on the merits, it must demonstrate that it will likely prove infringement of one or more claims of the patents-in-suit, and that at least one of those same allegedly infringed claims will also likely withstand the validity challenges presented by the accused infringer." *AstraZeneca LP v. Apotex, Inc.*, 633 F.3d 1042, 1050 (Fed. Cir. 2010) (quotation marks omitted). The patentee must show that it is "more likely than not" to succeed on the merits. *Revision*, 700 F.3d at 526. Thus, "[a] preliminary injunction should not issue if an alleged infringer raises a substantial question regarding either infringement or validity, i.e., the alleged infringer asserts an infringement or invalidity defense that the patentee has not shown lacks substantial merit." *AstraZeneca*, 633 F.3d at 1050. Here, Defendant challenges the validity of Plaintiff's asserted claims and argues that Plaintiff has not shown that RevenueRadar infringes the asserted claims.

1. Invalidity

Patents enjoy a presumption of validity; however, once the alleged infringer has come forward with persuasive evidence of invalidity, the burden is on the patentee to "respond[] with contrary evidence." *Titan Tire Corp. v. Case New Holland, Inc.*, 566 F.3d 1372, 1377 (Fed. Cir. 2009). If "there is a 'substantial question' concerning the validity of the patent, meaning that the alleged infringer has presented an invalidity defense that the patentee has not shown lacks substantial merit, . . . the patentee has not succeeded in showing it is likely to succeed at trial on the merits of the validity issue." *Id.* at 1379.

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Defendant has challenged the validity of Claims 1 and 4 of the '791 Patent on a number of grounds: that they fail to satisfy 35 U.S.C. § 101 because they are directed to unpatentable, abstract ideas; that they fail to satisfy the 35 U.S.C. § 112(a) written description and definiteness requirements; that they fail to satisfy 35 U.S.C. § 103 because the computerized automation of a known process is obvious; that Plaintiff concealed the true inventor of the patented method; and that they fail to satisfy 35 U.S.C. § 102 because a different company practiced Plaintiff's invention before Plaintiff did. (Opp'n 3-18.)

a. Patentable Subject Matter

Defendant argues that the claimed methods for determining whether it may be favorable for a customer to replace a current automobile loan with a new loan are unpatentable abstract ideas. (Opp'n 4-8.) Defendant attempts to limit Claim 1 to the following steps: "on request, (1) collect the information needed to calculate two payment amounts, (2) calculate those amounts, (3) compare those amounts, and (4) indicate whether the difference exceeds a threshold." (Opp'n 5-6.) Claim 4 of the '791 Patent covers "[t]he method of [C]laim 1, wherein the message is configured to be read by a dealer terminal configured for managing the message." ('791 Patent 25:21-23.) Plaintiff describes Defendant's simplification as a "severely abridged version of the claim including only four steps" and instead characterizes Claims 1 and 4 of the '791 Patent as patentable because "they recite specific methods using computers to identify the most promising sales leads from electronically retrievable information stored for dealership customers." (Reply 3-4.) Thus, the issue before the Court is whether Plaintiff is likely to succeed on its argument that these claims are patentable process claims and not unpatentable abstract ideas.

A patent must cover patentable subject matter. Section 101 of the Patent Act states that "[w]hoever invents or discovers any new and useful process, machine, manufacture, or composition of matter, or any new and useful improvement thereof, may obtain a patent." 35 U.S.C. § 101. "The term 'process' means process, art or method, and includes a new use of a known process, machine, manufacture, composition of matter, or material." 35 U.S.C. § 100(b). "In choosing such expansive terms . . . Congress plainly contemplated that the patent laws would be given wide scope." *Diamond v. Chakrabarty*, 447 U.S. 303, 308 (1980). However, while Congress defined patentable subject matter broadly, the Supreme Court has excluded three categories of subject matter from patent coverage: "laws of nature, physical phenomena, and abstract ideas." *Bilski v. Kappos*, 130 S. Ct. 3218, 3225 (2010). Nonetheless, "a process is not unpatentable simply because it contains a law of nature or a mathematical algorithm." *Diamond v. Diehr*, 450 U.S. 175, 187 (1981). To the contrary, "an application of a law of nature or mathematical formula to a known structure or process may well be deserving of patent protection." *Id.*

The test for determining if an invention is unpatentable subject matter is not well-defined. In *Bilski*, the Supreme Court ruled that "the machine-or-transformation test is a useful and important clue, an investigative tool," for determining whether a method is patentable. 130 S. Ct. at 3227.



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However, the Court also expressed doubt over the applicability of this test "in the Information Age" and stressed that it "is not the sole test" for determining patentability. *Id.* Unfortunately, the *Bilski* Court did not elaborate on alternative tests.

However, the application of these principles to cases such as this one is not straightforward. The Federal Circuit recently took up en banc a case involving method and system claims for mitigating the risk of certain financial transactions. *CLS Bank Int'l v. Alice Corp. Pty. Ltd.*, 717 F.3d 1269, 1274 (Fed. Cir. 2013), *cert. granted Alice Corp. Pty. Ltd. v. CLS Bank Int'l*, 13-298, 2013 WL 4776518 (U.S. Dec. 6, 2013). Unfortunately, the en banc proceedings resulted in five separate opinions with no majority opinion and no clear guide to the analysis of the patentability of method claims like those in the '791 Patent. As Chief Judge Rader noted in a footnote:

No portion of any opinion issued today other than our Per Curiam Judgment garners a majority. The court is evenly split on the patent eligibility of the system claims. Although a majority of the judges on the court agree that the method claims do not recite patent eligible subject matter, no majority of those judges agrees as to the legal rationale for that conclusion. Accordingly, though much is published today discussing the proper approach to the patent eligibility inquiry, nothing said today beyond our judgment has the weight of precedent.

*Id.* at 1292 n.1 (Rader, J., concurring-in-part and dissenting-in-part). The Supreme Court's grant of certiorari in *CLS Bank* presented another opportunity for guidance on these issues, but oral argument will not take place until March 31, 2014.

In this case, neither party argues that Plaintiff's claims pass the machine-or-transformation test. Under this test, an invention is patent eligible if it "is tied to a particular machine or apparatus" or "transforms a particular article into a different state or thing." *CyberSource Corp. v. Retail Decisions, Inc.*, 654 F.3d 1366, 1369 (Fed. Cir. 2011) (quoting *In re Bilski*, 545 F.3d 943, 954 (Fed. Cir. 2008) (en banc)). While Claim 1 must be conducted "by a computer" ('791 Patent 24:40), and Claim 4 must be "configured to be read by a dealer terminal configured for managing the message" ('791 Patent 25:21-23), "merely claiming a software implementation of a purely mental process that could otherwise be performed without the use of a computer does not satisfy the machine prong of the machine-or-transformation test," *CyberSource*, 654 F.3d at 1375. Furthermore, "[t]he mere manipulation or reorganization of data . . . does not satisfy the transformation prong." *Id.* However, this test is not the sole arbiter of whether an invention claims an unpatentably abstract idea. See *Bilski*, 130 S. Ct. at 3227.

Plaintiff's claim seemingly centers on an abstract idea: the concept of comparing two periodic loan repayment amounts and determining whether one may be more favorable than the other. A person can mentally calculate and compare two loan payment amounts. See *CyberSource*, 654 F.3d at 1368, 1374, 1376 (finding that a patent that "essentially . . . encompass[ed] any method

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or system for detecting credit card fraud which utilize[d] information relating credit card transactions to particular 'Internet address[es]'" was "drawn to a mental process" because "one could mentally perform the fraud detection method that underlies both [of the challenged claims]").

Furthermore, this type of concept and the centrality of this concept to the claimed methods bear similarities to the concepts underlying patent claims that the Federal Circuit has found unpatentably abstract. As in *Bancorp Services, LLC v. Sun Life Assurance Co. of Canada*, where the Federal Circuit found a patent abstract for "managing a stable value protected life insurance policy by performing calculations and manipulating the results," 687 F.3d 1266, 1280 (Fed. Cir. 2012), here the claimed invention covers a process of performing calculations and comparing the results. Similarly, the Federal Circuit found that in a patent covering software for handling insurance-related tasks, "the abstract idea at the heart of [the challenged claim]" was the concept of "generating tasks based on rules to be completed upon the occurrence of an event." *Accenture Global Servs., GmbH v. Guidewire Software, Inc.*, 728 F.3d 1336, 1344 (Fed. Cir. 2013) (quotations omitted). See also *Fort Properties, Inc. v. Am. Master Lease LLC*, 671 F.3d 1317, 1322 (Fed. Cir. 2012) (invalidating as abstract a patent for "aggregating real property into a real estate portfolio, dividing the interests in the portfolio into a number of deedshares, and subjecting those shares to a master agreement"); *Dealertrack, Inc. v. Huber*, 674 F.3d 1315, 1333 (Fed. Cir. 2012) (invalidating as abstract a claimed process that "in its simplest form includes three steps: receiving data from one source (step A), selectively forwarding the data (step B, performed according to step D), and forwarding reply data to the first source (step C)" because the claim "explains the basic concept of processing information through a clearinghouse" (quotation omitted)).

The Court must determine if Claims 1 and 4's use of the concept of comparing two periodic loan repayment amounts is "an application of a . . . mathematical formula to a known structure or process" that "may well be deserving of patent protection." *Diamond*, 450 U.S. at 187. Here, both claims define the concept as implemented on a computer. However, "simply implementing an abstract concept on a computer, without meaningful limitations to that concept, does not transform a patent-ineligible claim into a patent-eligible one." *Accenture*, 728 F.3d at 1345 (citing *Bancorp*, 687 F.3d at 1280). The requirement in Claim 1 that the collection of information and the calculation and comparison of the monthly payment amounts must occur "by a computer system comprising computer hardware" adds no meaningful limitations to the concept underlying the claim. ('791 Patent 24:40.) Instead, it simply "implement[s] an abstract idea on a computer." *Accenture*, 728 F.3d at 1345 (citation omitted). Claim 4 adds the further limitation that the message about the favorability of replacing the first vehicle with the second vehicle should be "configured to be read by a dealer terminal configured for managing the message, wherein managing the message includes at least one of assigning the message to a user for handling, associating a task with the message, and assigning a status to the message." ('791 Patent 25:21-26.) However, this is not a meaningful limitation, as its impact is merely the display of the message on a computer terminal at the car dealership. Neither of these limitations "play[s] a

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significant part in permitting the claimed method to be performed." *Bancorp*, 687 F.3d at 1278 (citing *Dealertrack*, 674 F.3d at 1333).

When the implementation of a claim is closely tied to a computer, requiring specific components or particular modes of processing, the Federal Circuit has found processes patent eligible. See, e.g., *Research Corp. Techs., Inc. v. Microsoft Corp.*, 627 F.3d 859 (Fed. Cir. 2010); *Ultramercial, LLC v. Hulu, LLC*, 722 F.3d 1335 (Fed. Cir. 2013). However, these cases have required more significant ties than are present here. In *Research Corp.*, the asserted patents covered a process by which a computer could render a halftone image on a digital image—a process that "could not, as a practical matter, be performed entirely in a human's mind." *CyberSource*, 654 F.3d at 1376 (discussing *Research Corp.*, 627 F.3d at 868). Similarly, the claimed methods in *Ultramercial* "contained additional limitations from the abstract idea of advertising as currency, such as limiting the transaction to an Internet website, offering free access conditioned on viewing a sponsor message, and only applying to a media product." *Accenture*, 728 F.3d at 1345 (citing *Ultramercial*, 722 F.3d at 1350). These limitations were both inherent and essential to the claimed processes, and thus meaningfully limited the application of an otherwise abstract concept to a computer.

No such limitations appear in either claim of the '791 Patent. Plaintiff's argument that the covered claims "recite specific methods using computers to identify the most promising sales leads from electronically retrievable information stored for dealership customers" (Reply 4), is not reflected in the language of the claim, unless that is simply a reference to the abstract concept at the heart of the claims. Despite Plaintiff's assertion, neither claim mandates the use of electronically stored information. Rather, the claims cover processes both where information is electronically retrieved from computer storage and where it is manually input by a user. Furthermore, neither claim describes the computer implementation of the concept in detail. Nor is the patented concept in either claim closely tied to a computer; the calculations underlying both claims can be performed mentally or with a pen and paper. Thus, the claims lack meaningful computer-based limitations that might transform them into patentable applications of otherwise abstract ideas.

True, Plaintiff's claims are limited as to the field of use. The claims apply only to the calculation and comparison of vehicle payments where the results are "transmitted to a dealer" to determine if the retrieved information may affect whether it is favorable for the customer to replace his or her current vehicle with the second vehicle. ('791 Patent 24:41-46; 25:7-12.) While the claims are restricted to car dealerships, "limiting an abstract idea to one field of use or adding token postsolution components [does] not make the concept patentable." *Bilski*, 130 S. Ct. at 3231 (claim limited to the commodities and energy markets); see also *Accenture*, 728 F.3d at 1345 (claim limited to the insurance industry).

Therefore, Plaintiff has not shown that it is more likely than not to successfully demonstrate that the asserted claims are patent eligible in light of the asserted invalidity defenses. This determination is made in the context of the procedural burdens for a preliminary injunction, and



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the Court has not found the asserted claims invalid. More guidance—either from the Supreme Court in *Alice Corp.* or from the Federal Circuit—could change this analysis.

While this factor is dispositive in determining that Plaintiff will not obtain a preliminary injunction, the Court will also address a number of the remaining arguments.

b. Obviousness

A patent may not issue "if the differences between the claimed invention and the prior art are such that the claimed invention as a whole would have been obvious before the effective filing date of the claimed invention to a person having ordinary skill in the art to which the claimed invention pertains." 35 U.S.C. § 103. "Obviousness is a question of law based on underlying factual findings: (1) the scope and content of the prior art; (2) the differences between the claims and the prior art; (3) the level of ordinary skill in the art; and (4) objective considerations of nonobviousness." *OSRAM Sylvania, Inc. v. Am. Induction Techs., Inc.*, 701 F.3d 698, 706 (Fed. Cir. 2012) (citing *Graham v. John Deere Co.*, 383 U.S. 1, 17-18 (1966)).

Defendant has presented evidence suggesting that before the filing date of the '791 Patent, some car dealers used computers to determine whether it may be favorable for past customers to trade in their cars for new vehicles. For example, Defendant presented a declaration by Darren VanCleave ("VanCleave") in which he stated that, as a car salesman, "while selling one car to a customer, [he] would prepare to sell to the customer again" by storing each customer's information, including vehicle information and finance/lease information, in a data repository. (Decl. of Darren VanCleave in Opp'n to Mot. ("VanCleave Declaration") ¶ 7, ECF No. 43-5.) He would then set a trigger to know when the customer might be close to an equity position in the vehicle, i.e., when the car is worth more than the amount the customer owes on it, so it is possible to trade the car in without paying off the remainder of the loan. (VanCleave Decl. ¶ 7.) When the customer was triggered, VanCleave would "calculate what the customer's payment would be on a newer model of the same or a similar car, taking into account the customer's current equity." (VanCleave Decl. ¶ 7.) He performed this calculations at various times with both a calculator and a computer. (VanCleave Decl. ¶ 10.) If those calculations showed that the monthly payments for the new vehicle may be less than the monthly payments for the old vehicle, VanCleave would contact the customer. (VanCleave Decl. ¶ 7.) VanCleave states that this process, which he called a "pull ahead," "was a standard business practice in the automobile industry." (VanCleave Decl. ¶¶ 3, 8.)

While this evidence is suggestive, Defendant has provided no analysis to support the conclusion that Plaintiff's invention would have been obvious based on this activity. (See Opp'n 14.) For example, Defendant has not defined "the scope and content of the prior art" or established "the differences between the claims and the prior art," nor has Defendant discussed "the level of ordinary skill in the art" or any "objective considerations of nonobviousness." See *OSRAM*

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*Sylvania*, 701 F.3d at 706. Given the presumption of validity, the Court cannot find that Plaintiff is unlikely to succeed on this point without more analysis from Defendant .

c. Inventorship

Defendant argues that when Plaintiff applied for the '791 Patent, it improperly named Jeffrey Cotton as the inventor, rather than naming Brad Codd as the sole inventor or, failing that, as a co-inventor. "Patent issuance creates a presumption that the named inventors are the true and only inventors." *Ethicon, Inc. v. U.S. Surgical Corp.*, 135 F.3d 1456, 1460 (Fed. Cir. 1998). Thus, Defendant must demonstrate with "clear and convincing evidence" that Codd was the inventor or a co-inventor of the methods claims in the '791 Patent. *Id.* at 1461.

"Conception is the touchstone of inventorship." *Burroughs Wellcome Co. v. Barr Labs., Inc.*, 40 F.3d 1223, 1227 (Fed. Cir. 1994). "Conception is the formation in the mind of the inventor, of a definite and permanent idea of the complete and operative invention, as it is hereafter to be applied in practice." *Hybritech Inc. v. Monoclonal Antibodies, Inc.*, 802 F.2d 1367, 1376 (Fed. Cir. 1986). "The conceived invention must include every feature of the subject matter claimed in the patent." *Ethicon*, 135 F.3d at 1460. All joint inventors "must generally contribute to the conception of the invention," but they need not "make the same type or amount of contribution," or each "make a contribution to every claim of the patent." *Id.* (quoting 35 U.S.C. § 116). Instead, each joint inventor "needs to perform only a part of the task which produces the invention." *Id.*

Here, Defendant bases its claims of Codd's inventorship on several different pieces of evidence. First, Defendant points to Codd's three-page declaration. In this declaration, Codd states that he "spent some time educating Mr. Cotton about the types of benefits that computerization could bring to a process" and that he had Cotton describe "the various processes he used as a car salesman." (Decl. of Brad Codd in Opp'n to Mot. ("Codd Declaration") ¶¶ 3-4, ECF No. 43-2.) Codd claims that Cotton described the process of "pricing hypothetical sale or lease contracts, and comparing them with existing financial arrangements to identify promising sales targets," a process that Codd realized "could benefit significantly from computerization." (Codd Decl. ¶ 4.) Both Codd and Cotton agreed that Codd "would attempt to computerize the process." (Codd Decl. ¶ 4; Second Decl. of Jeffrey Cotton in Supp. of Mot. ("Second Cotton Declaration") ¶ 36, ECF No. 66.) Finally, Codd stated that he assisted in the preparation of the initial patent application. (Codd Decl. ¶ 8.) Defendant also cites an amended complaint filed by Plaintiff (then called Codd, Cotton, & Warner) in which Plaintiff states that "Codd[] and Jeffrey Cotton entered into an oral agreement . . . to work together, pool their inventive ideas and funds in a joint venture to perfect and market the codes, processes and procedures which later became known as AutoAlert." (Decl. of Sterling Brennan in Opp'n to Mot. ("Brennan Declaration"), Ex. C ("Codd, Cotton & Warner FAC"), at 53, ECF No. 60-2.) Finally, Defendant notes that Plaintiff originally filed the '791 Patent with an "unknown" inventor and waited more than seven months to inform the PTO that Cotton was the inventor of the '791 Patent. (Brennan Decl., Exs. I, at 3-4; J, at 262, ECF No. 60-3.)

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This evidence fails to demonstrate that Codd is a sole or joint inventor of the '791 Patent. While both Codd and Cotton agree that Codd implemented the computerization of the patented methods, "one does not qualify as a joint inventor by merely assisting the actual inventor after conception of the claimed invention," *Ethicon*, 135 F.3d at 1460. Cotton disputes that Codd played any role in the conception of the patented methods (Second Cotton Decl. ¶¶ 27-34), and Plaintiff has provided witness testimony supporting Cotton's role as the inventor (Second Decl. of Boyd Warner in Supp. of Mot. ("Second Warner Declaration"), ¶¶ 5-10, ECF No. 67; Decl. of Cheryl T. Burgess in Supp. of Mot. ("Burgess Declaration"), Ex. 34, at 12-14, ECF No. 69-4.)

More importantly, Codd's description of his role in the conception of the patented methods lacks the detail and supporting evidence required to clearly and convincingly prove that he played a role in the conception of the '791 Patent. First, Codd's declaration is vague about the features of the "process" that he claims to have conceived and computerized. He states:

My first major task was to clearly document the process—i.e., articulate each step, and identify the information used and the calculations or other procedures applied to that information in that step. Then I adapted the information sources, which were generally designed for human consumption, into resources that could be made accessible to and used by software; or identified alternative information sources that were already computer friendly. Finally, I wrote the actual software code for a product that came to be called "AutoAlert."

(Codd. Decl. ¶ 5.) However, Codd has not identified each step of the process, nor has Codd identified the information sources that his design apparently used. Without more information, the Court cannot conclude that Codd's conception of the invention "included every feature of the subject matter claimed in the patent." *Ethicon*, 135 F.3d at 1460. Nor has Defendant provided documentary evidence proving Codd's inventorship. To prevail, an alleged co-inventor "must supply evidence to corroborate his testimony." *Ethicon*, 135 F.3d at 1460. The only evidence provided outside of the Codd Declaration—the statement in the Codd, Cotton & Warner FAC that Codd and Cotton agreed to pool their inventive ideas and the initially unknown status of the inventor of the '791 Patent—could easily have alternate explanations. Taken as a whole, this does not overcome the presumption that Cotton was the only inventor of the '791 Patent. Given the evidence before the Court, Plaintiff is more likely than not to prevail on this point.

## 2. Infringement

"[T]o demonstrate a likelihood of success on the merits, the patentee must demonstrate that it will likely prove infringement of one or more claims of the patents-in-suit." *Amazon.com, Inc. v. Barnesandnoble.com, Inc.*, 239 F.3d 1343, 1351 (Fed. Cir. 2001). Because "[a] preliminary injunction should not issue if an alleged infringer raises a substantial question regarding . . .

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infringement," once the defense of noninfringement is raised, the burden is on the patentee to show that this defense "lacks substantial merit." *AstraZeneca*, 633 F.3d at 1050. "[A]n infringement analysis involves two steps: the claim scope is first determined, and then the properly construed claim is compared with the accused device to determine whether all of the claim limitations are present either literally or by a substantial equivalent." *Amazon.com*, 239 F.3d at 1351.

Thus, the first step of any infringement analysis is claim construction. Here, Plaintiff proposes construing the claim term "financial terms" as "money arrangement in a financial agreement." (Mot. 15.) Otherwise, Plaintiff claims to have applied "the plain and ordinary meaning of the language in the claims" in its analysis. (Mot. 15.) *See also Phillips v. AWH Corp.*, 415 F.3d 1303, 1313 (Fed. Cir. 2005) ("[T]he words of a claim are generally given their ordinary and customary meaning," which is "the meaning that the term would have to a person of ordinary skill in the art in question at the time of the invention." (citation omitted)). Defendant does not explicitly dispute any of Plaintiff's constructions; however, several of Defendant's arguments depend on a particular construction of various claim terms. The Court addresses these arguments below.

During the second stage of an infringement analysis, "the patentee [must] prove that the accused device contains each limitation of the asserted claim(s). If any claim limitation is absent from the accused device, there is no literal infringement as a matter of law." *Bayer AG v. Elan Pharm. Research Corp.*, 212 F.3d 1241, 1247 (Fed. Cir. 2000) (citation omitted). In the Motion, Plaintiff presented a complete infringement analysis mapping features of RevenueRadar to each limitation present in Claims 1 and 4 of the '791 Patent. (Mot. 14-18; *see also* Decl. of Dr. Jaime Carbonell ("Dr. Carbonell") in Supp. of Mot. ("First Carbonell Declaration") ¶¶ 114-145, ECF No. 15.) In its Opposition, Defendant challenged this analysis on a number of grounds and noted several incorrect assumptions made by Dr. Carbonell about RevenueRadar's design. (Opp'n 19-21.) In response to this new information, Plaintiff made several amendments to its infringement analysis. (Reply 1-2; Second Decl. of Dr. Carbonell in Supp. of Mot. ("Second Carbonell Declaration") ¶¶ 15-27, ECF No. 80.) Defendant filed a Sur-Reply addressing the amended infringement analysis with several more objections to Plaintiff's analysis. The Court has reviewed Plaintiff's original and amended infringement analysis and finds that Plaintiff demonstrated that it is likely to succeed in proving infringement. The Court addresses each of Defendant's specific objections in turn.

First, Defendant argues that Claim 1 requires "information retrieval to occur before the configuration request is made." (Opp'n 20 (emphasis omitted).) Defendant bases this argument on the language of Claim 1, which states:

*A method comprising: . . .*

- (a) *retrieving at least a portion of customer information, first financial terms that a customer has for a first vehicle, and first vehicle information;*

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- (b) *retrieving at least a portion of second vehicle information for a second vehicle and second financial terms available to the customer for the second vehicle;*
- (c) *receiving a configuration request for replacing the first vehicle of the customer with a different vehicle;*
- (d) *in response to the configuration request, retrieving current information associated with at least one of the customer information, the first financial terms that the customer has for the first vehicle, the first vehicle information, the second vehicle information, or the second financial terms available to the customer for the second vehicle . . .*

('791 Patent 24:41-55.) Defendant argues that "[t]he configuration request [Step (c)] must precede retrieval of 'current information' [Step (d)] because that information is retrieved 'in response to' the request." (Opp'n 19 (emphasis omitted).) Furthermore, the configuration request [Step (c)] "must follow the information retrieval steps recited at the beginning of claim 1 [Steps (a) and (b)] because characterizing the information retrieved in response to the request as 'current' presupposes the existence of old information." (Opp'n 19 (emphasis omitted).) Plaintiff disputes this analysis, and instead argues that Steps (a), (b), and (c) can be performed in any order. (Reply 1-2; Second Carbonell Decl. ¶¶ 8-9.)

The Court agrees with Plaintiff's interpretation of the claim language. Determining the order of steps in a claim is a two-step process. "First, we look to the claim language to determine if, as a matter of logic or grammar, they must be performed in the order written. . . . If not, we next look to the rest of the specification to determine whether it 'directly or implicitly requires such a narrow construction.'" *Altiris, Inc. v. Symantec Corp.*, 318 F.3d 1363, 1369-70 (Fed. Cir. 2003) (quoting *Interactive Gift Express, Inc. v. Compuserve Inc.*, 256 F.3d 1323, 1343 (Fed. Cir. 2001)). Here, despite Defendant's arguments, nothing in the claim language demands that Steps (a), (b), and (c) be performed in the order written. That a program retrieves certain pieces of "current" information in response to a configuration request to replace a customer's vehicle does not logically require the program to retrieve any baseline information as to the nature of the two vehicles before receiving the configuration request. For example, a program could begin with a request to determine the favorability of replacing a customer's vehicle with a different vehicle. Following this, the program could retrieve "at least a portion of" information concerning the make, model, and year of the customer's first vehicle, the proposed second vehicle, and the first and second financial terms, and then "in response to the configuration request," retrieve "current information" associated with the financial terms for the first and second vehicle. This configuration satisfies all of the limitations of the claims despite Step (c) preceding Steps (a) and (b). This analysis is supported by Plaintiff's expert, who has stated that there is no technical reason that Steps (a) and (b) must precede Step (c). (Second Carbonell Decl. ¶¶ 8-9.) Furthermore, Defendant has presented no evidence from the rest of the specification that would suggest this



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claim "directly or implicitly requires such a narrow construction." *Altiris*, 318 F.3d 1370. Thus, Plaintiff is likely to succeed in proving infringement of these claim elements.

Defendant's second challenge to Plaintiff's infringement analysis focuses on the RevenueRadar message delivery system. Under Claim 1 of the '791 Patent, any directly infringing product must generate a message and transmit this message to a dealer if "it is determined that the retrieved information may affect whether it is favorable for the customer to replace the first vehicle and first financial terms with the second vehicle and second financial terms." ('791 Patent 25:7-12.)

In its original analysis, Plaintiff claimed that this was satisfied by RevenueRadar's creation of a "Ping" and a "Ping Details" page, without distinguishing between the two concepts. (See, e.g., First Carbonell Decl. ¶ 138; see also Opp'n 20-21.) Defendant argues that neither of these alternatives fully satisfies the limitations of the '791 Patent. In its amended infringement analysis, Plaintiff specified that this limitation is satisfied by RevenueRadar's generation and transmission of a Ping to a dealer. (Reply 2; Second Carbonell Decl. ¶¶ 24-27.) Thus, in the following analysis, the Court considers whether RevenueRadar's Ping notification satisfies the limitations for the message generated and sent to the dealer under certain conditions as described in Claim 1 of the '791 Patent.<sup>2</sup>

RevenueRadar generates and transmits Pings as an indication to dealers that it may be favorable to replace a customer's current vehicle. (Opp'n 20.) [REDACTED]

[REDACTED] (Opp'n 20.) [REDACTED]

[REDACTED] (Decl. of R. Cameron Darby in Opp'n to Mot. ¶ 8, ECF No. 57; see also

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<sup>2</sup> The Court notes that, while Plaintiff has elected not to equate the claimed message with RevenueRadar's Ping Details page, there is nothing in the claim language itself barring such a contention. Defendant argues that a Ping Details page [REDACTED]

[REDACTED] (Opp'n 21 (quoting '791 Patent 24:65-66).) However, the claim does not require the message to be sent "whenever" it is determined that a condition is satisfied, but rather "if it is determined that the retrieved information may affect whether it is favorable for the customer to replace the first vehicle . . ." ('791 Patent 25:7.) Thus, an infringing program need not **always** generate a message if the claimed limitation is satisfied; rather, the program may require other inputs before generating a message, such as, in this case, requiring the intervention of a user.

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Opp'n 20.)<sup>3</sup>

Instead, [REDACTED]

[REDACTED] (Opp'n 20.)

Thus, Defendant argues that RevenueRadar cannot infringe the '791 Patent [REDACTED]

[REDACTED]. (Opp'n 20-21.) Instead, to determine if it should send a Ping, [REDACTED]. However, this analysis requires the Court to construe the term [REDACTED] far more narrowly than any language in the claim or specification, or any ordinary meaning of the word would suggest. "It is well-settled that, in interpreting an asserted claim, the court should look first to the intrinsic evidence of record, i.e., the patent itself, including the claims, the specification and, if in evidence, the prosecution history." *Vitronics Corp. v. Conceptronic, Inc.*, 90 F.3d 1576, 1582 (Fed. Cir. 1996). Defendant has presented no evidence that the term [REDACTED]

[REDACTED] (Second Carbonell Decl. ¶ 19.) Without more, it cannot be said that Plaintiff is unlikely to succeed in showing that RevenueRadar infringes the '791 Patent.

Defendant makes two additional arguments in its Sur-Reply. First, Defendant argues that Plaintiff's amended infringement analysis conflates the initial and current information retrieval steps. (Sur-Reply 2-3.) Specifically, Defendant argues that Plaintiff conflates Steps (b) and (d) of the claimed method, listed below:

- (b) *retrieving at least a portion of second vehicle information for a second vehicle and second financial terms available to the customer for the second vehicle;*
- (c) *receiving a configuration request for replacing the first vehicle of the customer with a different vehicle;*
- (d) *in response to the configuration request, retrieving current information associated with at least one of the customer information, the first financial terms that the customer has for the first vehicle, the first vehicle information, the second vehicle information, or the second financial terms available to the customer for the second vehicle . . .*

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<sup>3</sup> Defendant has offered scant evidence supporting the existence of this design feature. Rather than supplying documentary evidence or testimony of an expert witness or technical employee, Defendant offers only the declaration of its Chief Operating Officer.

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('791 Patent 24:44-55.) Plaintiff's expert states that RevenueRadar infringes Step (b) in the patent when it "retrieves second vehicle information for a second vehicle [REDACTED] and when it "retrieves second financial terms associated with the customer entering into a hypothetical transaction to finance a purchase of the second vehicle [REDACTED]." (Second Carbonell Decl. ¶¶ 19-20.) By contrast, Plaintiff's expert states that RevenueRadar infringes Step (d) when it "performs a search on a periodic basis in response to a request" and therefore "retrieves information that is current at the time of each search." (Second Carbonell Decl. ¶ 22.) Plaintiff's expert further explains that Defendant "performs its calculations in response to a configuration request with a frequency selected by the user ('Daily, Weekly, or Monthly') using current data as of the date of the search." (Second Carbonell Decl. ¶ 23.) Thus, Plaintiff's analysis does not conflate Step (b), the "initial" information-gathering step, with Step (d), the "periodic" information-gathering step. Because these are distinct events, Defendant's argument fails.

The second argument made by Defendant in its Sur-Reply is that the "Ping," unlike the "Ping Details" page, does not include favorable financial terms. (Sur-Reply 3.) While all three embodiments listed in the specification transmit "favorable financial terms" to the dealer as part of the message ('791 Patent 2:40-45; 2:56-62; 3:26-31), there is no hint of this requirement in the claim language itself ('791 Patent 25:7-12). "[I]t is improper to read limitations from a preferred embodiment described in the specification—even if it is the only embodiment—into the claims absent a clear indication in the intrinsic record that the patentee intended the claims to be so limited." *Liebel-Flarsheim Co. v. Medrad, Inc.*, 358 F.3d 898, 913 (Fed. Cir. 2004). Defendant has not pointed to anything in the specification that suggests Plaintiff intended to limit the claim in this way.

Because Plaintiff has presented a credible infringement analysis and Defendant has failed to raise a substantial question as to infringement, the Court finds that Plaintiff has shown it is likely to succeed in demonstrating Defendant's infringement of the '791 Patent.

**B. Irreparable Harm**

To prevail, Plaintiff must establish that without a preliminary injunction, it will suffer irreparable harm. *Winter*, 555 U.S. at 20. "[T]he irreparable harm inquiry seeks to measure harms that no damages payment, however great, could address." *Celsis In Vitro, Inc. v. CellzDirect, Inc.*, 664 F.3d 922, 930 (Fed. Cir. 2012). "Price erosion, loss of goodwill, damage to reputation, and loss of business opportunities are all valid grounds for finding irreparable harm." *Id.* "[T]o satisfy the irreparable harm factor in a patent infringement suit, a patentee must establish both of the following requirements: 1) that absent an injunction, it will suffer irreparable harm, and 2) that a sufficiently strong causal nexus relates the alleged harm to the alleged infringement." *Apple Inc. v. Samsung Electronics Co.*, 695 F.3d 1370, 1374 (Fed. Cir. 2012).

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Plaintiff must also establish that the balance of equities tips in its favor. To determine whether this is true, the court "must balance the harm that will occur to the moving party from the denial of the preliminary injunction with the harm that the non-moving party will incur if the injunction is granted." *Hybritech Inc. v. Abbott Labs.*, 849 F.2d 1446, 1457 (Fed. Cir. 1988). Here, the Court agrees with Plaintiff's argument that any harm Defendant will suffer due to an injunction is far outweighed by the harm that Plaintiff will suffer if the preliminary injunction is denied and Plaintiff ultimately prevails in the case. (See Mot. 24; Reply 10.) The patented methods are integral to Plaintiff's business and provide Plaintiff with 100% of its revenue; by contrast, Defendant's alleged infringement constitutes only a sliver of its revenue. (Reply 10; Burgess Decl., Ex. 36 at 34:3-35:12, ECF No. 82.) Thus, the overall harm caused by enjoining Defendant from practicing the allegedly infringing method is minor compared to the irreparable harm, described above, that Plaintiff will suffer if the product is not enjoined. Plaintiff has therefore established that the balance of equities weighs in favor of granting a preliminary injunction.

D. Public Interest

Finally, to obtain a preliminary injunction, Plaintiff must establish that "an injunction is in the public interest." *Winter*, 555 U.S. at 20. Here, Plaintiff presents two reasons that a preliminary injunction barring Defendant's alleged infringement is in the public interest. First, Plaintiff argues that protecting patent-holders investment encourages innovation. The Federal Circuit has "long acknowledged the importance of the patent system in encouraging innovation. Indeed, the 'encouragement of investment-based risk is the fundamental purpose of the patent grant, and is based directly on the right to exclude.'" *Sanofi-Synthelabo v. Apotex, Inc.*, 470 F.3d 1368, 1383 (Fed. Cir. 2006) (citation omitted). Second, Plaintiff argues that its technology "has bestowed substantial benefits on the public" and has led to "attractive deals for auto purchases to the benefit of both auto dealers and their customers." (Mot. 24-25.) Defendant does not contest this characterization of Plaintiff's technology, but denies that an injunction will advance this interest because enjoining Defendant's product will "result in fewer 'attractive deals'" for customers overall. (Opp'n 24.) Defendant reasons that "the public's concern is to maximize use of the technology, the overall size of the market; the public has no interest in [Plaintiff's] private share of that market." (Opp'n 25.) Defendant's argument entirely overlooks the public's interest in promoting innovation and investment through the patent system. Defendant's argument fails, and Plaintiff has shown that a preliminary injunction would be in the public interest if all other requirements are met.

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III. RULING

Because the test for determining if an invention is unpatentable subject matter is currently not well-defined, Plaintiff's Motion is **DENIED**.

IT IS SO ORDERED.