IN THE UNITED STATES DISTRICT COURT
FOR THE SOUTHERN DISTRICT OF FLORIDA
WEST PALM BEACH DIVISION

Civil Action No.: 9:16-cv-80980

Honorable Robin L. Rosenberg

Honorable Dave Lee Brannon (Mag.)

Shipping and Transit, LLC, Plaintiff, LensDiscounters.com, A Division of LD Vision Group, Inc. Defendant.

DEFENDANT'S OPPOSITION TO PLAINTIFF'S MOTION TO DISMISS AND MOTION FOR ENTITLEMENT TO FEES

Defendant LensDiscounters.com opposes Plaintiff Shipping & Transit LLC's ("S&T") motion to dismiss to the extent it seeks an order from this Court that "[e]ach party should bear its own costs and attorney fees." Such an order is premature because LensDiscounters.com intends to seek recoupment of its costs and attorney's fees for this exceptional case under 35 U.S.C. § 285.

S&T never intended to litigate this case on the merits. Instead, it hoped to use invalid patents and the pressure of litigation costs to extract a quick settlement from LensDiscounters.com. But LensDiscounters.com did not roll over and take it; instead, it decided to call S&T's bluff and litigate this case once and for all. When S&T realized that LensDiscounters.com would litigate its claims and expose it for the patent troll

it is, it filed—as it has in other cases where defendants have stood against them—a unilateral "covenant" not to sue for the sole purpose of avoiding a justiciable controversy that would lead to the invalidation of its bogus patents.

S&T's actions make clear that it never conducted a reasonable pre-filing investigation into this case, and even if it had, its claims are substantively infirm. This, and other factors, make this an exceptional case under 35 U.S.C. § 285. S&T's patents are worthless except as a tool for its long-running nuisance litigation campaign. This Court should allow Lensdiscounters.com to seek a fee award that deters such frivolous litigation.

PROCEDURAL AND FACTUAL BACKGROUND

S&T initiated this action for infringement of four patents. DE-1. S&T claims that Lensdiscounters.com, a web-based contact lens retailer, used tracking and notification technologies subject to patent protection. DE-1 at ¶ 11. S&T cut and paste a purported page from Lensdiscounters.com's website indicating they use USPS and UPS for shipping. DE-1 at ¶ 12. The Complaint does not allege that Lensidiscounters use any other shippers. DE-1. The Complaint does not allege that S&T had provided licenses to FedEx, UPS or USPS. *Id.*

At the initial case management conference held by this Court on August 22, 2016, S&T admitted that FedEx and UPS have licenses to use the patents in question and that USPS had licenses for all patents except the '207 patent. In light of this revelation, the Court ordered LensDiscounters.com to disclose the shippers it uses and ordered S&T to identify which shippers are allegedly not licensed and to produce

copies of licensing agreements for those that are partially licensed. The Court also gave the parties until September 15, 2016 to issue their first set of discovery requests.

The parties exchanged information as ordered by the Court and, as a result, S&T dropped all its claims except its claim for infringement of the '207 patent, stating "[t]he only assertion is based on your client's use of USPS and the '207 patent that is not part of the USPS settlement . . . . So the case is down from four patents to one." *See* August 30, 2016 email exchange between Jerold Schneider, Esq. and Geoffrey M. Cahen, Esq., attached hereto as Exhibit "A." Mr. Schneider sought a stipulation to drop the claims, affirmative defenses, and counterclaims for the other three patents. Mr. Cahen responded by asking Mr. Schneider to "articulate a good faith basis to have sued our clients in the first place for the 3 patents that you now wish to dismiss." *Id.* Mr. Schneider referred Mr. Cahen to the complaint and stated that "your client's website does not indicate which shippers are used." *Id.* Implicit in Mr. Schneider's email is that S&T did not order product from Lensdiscounters.com.

While LensDiscounters.com was in the midst of drafting the discovery requests ordered by this Court, S&T unilaterally filed a "covenant not to sue." DE-14. LensDiscounters.com served its first set of discovery requests September 15, 2016 as ordered by the Court. S&T filed its motion to dismiss September 16, 2016 to avoid a determination on its bogus patents and financial responsibility for its frivolous and exceptional conduct. DE-16.

ARGUMENT

LensDiscounters.com only opposed S&T's motion to the extent that it seeks an order from this Court under which each party will bear its own costs and attorney's fees. LensDiscounters.com is entitled to costs and fees 35 U.S.C. § 285.

S&T Failed to Conduct an Adequate Pre-Filing Investigation and Brought Legally Frivolous Claims.

Although the patents claimed to be infringed in this litigation concern technology for monitoring and reporting the status of a vehicle and notifying users when an arrival of a particular vehicle at a predefined destination is imminent, LensDiscounters.com, along with the other companies S&T has targeted,[1] sells products and services that have nothing to do with the technology of these patents.

S&T's pre- and post-filing conduct shows that it made no effort to investigate whether LensDiscounters.com infringed the patents, even on the untenable theory that the act of linking to shippers' tracking websites constitutes infringement. Indeed, S&T admitted that the only reason it sued LensDiscounters.com for patents that it knew were licensed to all the major shippers in the United States is that LensDiscounters.com's "website does not indicate which shippers are used." Other than this, S&T has refused to respond to LensDiscounters.com's requests to provide any basis for its complaint. S&T did not perform *any* substantive pre-filing investigation.

In a patent lawsuit, the patantee's attorney must, "at a bare minimum, apply the claims of each and every patent that is being brought into the lawsuit to the

[1] *See* Notice of Related Proceedings. DE-27.

accused device and conclude that there is a reasonable basis for a finding of infringement of at least one claim of each patent so asserted." *Eon-Net LP v. Flagstar Bancorp*, 653 F.3d 1314, 1328–29 (Fed. Cir. 2011). The two-step pre-filing analysis in patent cases is thus (1) an investigation into the legal basis of the claim of patent infringement (i.e., claim interpretation analysis) and (2) a fact-intensive comparison of the accused product and the asserted claims. *Q-Pharma, Inc. v. Andrew Jergens Co.*, 360 F.3d 1295, 1300–01 (Fed. Cir. 2004). Where—as here—the accused products and services are easily available, a pre-filing investigation that does not include an examination of the accused products and services, a construction of the asserted claims, and a comparison of the construed claims to the accused products and services is *per se* unreasonable and violates Rule 11 as a matter of law. *See Eon-Net,* 653 F.3d at 1329.

Neither Plaintiff or its attorneys performed substantive pre-filing investigation as to infringement of any of the patents by LensDiscounters.com. Indeed, counsel for S&T all but admitted this when he claimed in writing that "your client's website does not indicate which shippers are used." Exhibit A hereto. A cursory review of the defendant's website is an insufficient investigation as a matter of law. *Eon-Net*, 653 F.3d at 1328–29. S&T's expected reliance upon the snapshot of Lensdiscounters.com's website set forth in paragraph 12 of the Complaint is misplaced. If the lawsuit was based on Lensdiscounsters.com's use of UPS and USPS, Counts III through VIII are frivolous.

The Patents are Invalid

S&T knowingly asserted patent claims against LensDiscounters.com when it knew or should have known that LensDiscounters.com used USPS, UPS, and FedEx for customer deliveries.

All of these patents have at least one commonality that is missing from LensDiscounters.com's activities: the monitoring and notification of information concerning ***vehicles***. LensDiscounters.com does not offer any products or services that provide the ability to monitor, identify, or receive notifications regarding vehicles. LensDiscounters.com doesn't even track packages—it merely provides links to entities that do (*e.g.*, the United States Postal Service). For this reason alone, S&T has wrongfully sued LensDiscounters.com.

The complaint also lacks a legal basis. All of the patents allegedly infringed in S&T's complaint—including the only patent not subject to licensing and settlement agreements—are invalid because they do not constitute patentable subject matter and because they are anticipated and obvious under 35 U.S.C. §§ 101–103.

First, "abstract ideas are not patentable." *Mayo Collaborative Servs. v. Prometheus Labs., Inc.*, 132 S. Ct. 1289, 1293 (2012) (internal quotations omitted). In *Alice Corp. v. CLS Bank International*, 134 S. Ct. 2347 (2014), the U.S. Supreme Court held invalid "several patents that disclose schemes to manage certain forms of financial risk" because "the mere recitation of a generic computer cannot transform a patent-ineligible abstract idea into a patent-eligible invention." *Id.* at 2352, 2358. The abstract idea—the concept of intermediated settlement—did not become

patentable simply by applying it with "electronic recordkeeping—one of the most basic functions of a computer." *Id.* at 2359. Thus, a patent that applies basic computer functions, such as obtaining data and automating instructions that are "well-understood, routine, conventional activit[ies]" to an abstract idea is invalid. *Id.* (internal quotations omitted). Instead they must do "significantly more," such as improve upon the technology of the computer or the field itself. *Id.* at 2360 (internal quotations omitted). Nothing about any of the patents alleged in S&T's complaint, while couched in fancy technical language, does anything more than describe steps to applying an abstract idea—the tracking and notification of vehicle status information—by performing a series of basic computer functions such as receiving data and communicating it according to configured rules or user-stored preferences.

Second, S&T's patents are far from novel—they are anticipated and obvious. Significant prior art has been collected and maintained by the Electronic Frontier Foundation.[2] As other would-be victims of S&T have pointed out, the '359 patent was anticipated or rendered obvious by U.S. Patent Nos. 5,938,721; 5,504,491; 6,006,159, and by numerous publications by authors that include the U.S. Department of Transportation.

The Claims Were Barred Under the Doctrine of Patent Exhaustion

S&T asserted claims against LensDiscounters.com for four patents. At the outset of this case, the Court ordered LensDiscounters.com to provide initial disclosures of all carriers used; S&T was ordered to provide a list of all shipping

[2] *See* ELECTRONIC FRONTIER FOUNDATION, *ArrivalStar Prior Art Database*, https://www.eff.org/document/arrivalstar-prior-art-database (last visited July 26, 2016).

companies that are not licensed or only partially licensed. S&T agreed to drop three of four of its claims because all patents but the '207 patent were licensed to all the shipping companies (S&T's covenant not to sue USPS did not expressly mention the '207 patent). S&T knew or should have known that LensDiscounters.com was immune to suit under—at the very least—the three patents other than the '207 patent. *See Transcore, LP v. Electronic Trans'n Consults. Corp.*, 563 F.3d 1271, 1278–79 (Fed. Cir. 2009); *see also In re TR Labs Pat. Litig.*, 2014 WL 3501050, at *1, 4 (D.N.J. July 14, 2014) (patent owner's claims against customer exhausted by covenant not to sue supplier). Those three claims were thus pled in bad faith.

This Is an Exceptional Case Under 35 U.S.C. § 285.

This case is exceptional because it was brought by a patent troll in an attempt to extract a nuisance settlement from a business it did not think had the will or resources to fight back. When faced with the unexpected challenge to the validity of the bogus patents it uses to extract these nuisance settlements, along with the exposure of its licensing agreements, S&T quickly filed a "covenant not to sue" and has now moved to dismiss the entire action.

The fee-shifting provision applicable to patent cases, 35 U.S.C. § 285, states "[t]he court in exceptional cases may award reasonable attorney fees to the prevailing party." In *Octane Fitness, LLC v. ICON Health & Fitness, Inc.*, 134 S. Ct. 1749, 1752 (2014), the U.S. Supreme Court held that an exceptional case warranting attorneys' fees is "simply one that stands out from others with respect to the substantive strength of a party's litigating position (considering both the governing law and the facts of the case) ***or*** the unreasonable manner in which the case was litigated." 134

S. Ct. at 1751 (emphasis added). District courts must "determine whether a case is 'exceptional' in the case-by-case exercise of their discretion, considering the totality of the circumstances." *Id.* The Court may consider "factors such as 'frivolousness, motivation, objective unreasonableness (both in the factual and legal components of the case) and the need in particular circumstances to advance considerations of compensation and deterrence.'" *Lugus IP, LLC v. Volvo Car Corp.*, No. CIV.A. 12-2906 JEI/JS, 2015 WL 1399175, at *4 (D.N.J. Mar. 26, 2015) (quoting *Octane Fitness*, 134 S. Ct. at 1756, n.6).

This case is exceptional for the same reasons it is frivolous. It is also an exceptional case for other reasons—an exceptional case does not require both objective baseless and subjective bad faith. *Octane Fitness*, 134 S. Ct. at 1758. In any case, this lawsuit was both.

S&T's motion to dismiss makes clear that its "covenant not to sue" is simply an effort to avoid a determination that its patents are invalid. Such a determination would jeopardize its only revenue stream. This alone is sufficient for an exceptional case filing. *See Bayer Cropscience AG v. Dow Agrosciences LLC*, No. CV-12-256 (RMB/JS), 2015 WL 1197436, at *4 (D. Del. Mar. 13, 2015). Moreover, this Court should consider the need for deterrence—without it, S&T will continue to attempt to shake down other innocent parties.

S&T may claim that because it has offered to dismiss its claims, no fees should be awarded. LensDiscounters.com has incurred substantial fees in defending against this baseless litigation. S&T only dismissed its claims when it realized that

LensDiscounters.com would take aggressive positions to put this patent troll to bed. The motion to dismiss shows that S&T never intended to litigate the merits of this case. This Court should award LensDiscounters.com its fees both to make it whole and to deter this patent troll from future attempts to extract nuisance settlements. *See Eon-Net LP v. Flagstar Bancorp.*, 563 F.3d 1314, 1326–27 (Fed. Cir. 2011) (patent owner's "history of filing nearly identical patent infringement complaints against a plethora of diverse defendants, [] followed each filing with a demand for a quick settlement at a price far lower than the cost to defend the litigation" has "indicia of extortion" showing bad faith).

CONCLUSION

Lensdiscounters.com respectfully requests that the Court dismiss the case with the exception that Lensdiscounters.com should have the opportunity to move for attorney's fees and costs, together with such other relief as the Court deems just and proper.

Respectfully submitted,

DATED: September 26, 2016

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CERTIFICATE OF SERVICE

I HEREBY CERTIFY that on September 26, 2016 a true and correct copy of the foregoing has been filed via CM/ECF to the parties on the below service list.

s/ Geoffrey M. Cahen
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