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

In Re:
Katz Interactive Call Processing Patent
Litigation

This document relates to:
RONALD A. KATZ TECHNOLOGY
LICENSING, L.P.,
Plaintiff,
v.
EARTHLINK, INC.
Defendants.
Case No. 07-CV-2325-RGK (FFMx))

Case No. CV 2:07-ML-01816-B-RGK
(FFMx)

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I. INTRODUCTION

In approximately fifty different lawsuits, plaintiff Ronald A. Katz Technology Licensing, L.P. (“Katz”) has alleged that various defendants infringe claims from its family of related interactive call processing patents. The Judicial Panel on Multidistrict Litigation consolidated these cases for pretrial proceedings and transferred the consolidated case to this Court (07-MDL-1816). This Court grouped the different cases based roughly on the date they were transferred. The current case is part of the group B cases.

In managing the group B cases, this Court ordered Katz to eventually limit the number of claims it was asserting against each defendant group to sixteen. This Court has already ruled on various joint summary judgment motions filed by the group B defendants and found that a number of the asserted claims were invalid as obvious under 35 U.S.C. § 103 or invalid for lack of written description and/or indefinite under 35 U.S.C. § 112.

The two remaining claims Katz asserts against Defendant EarthLink, Inc. (“EarthLink”) are: claim 11 of U.S. Patent No. 4,930,150 (“the ‘150 patent”), and claim 32 of U.S. Patent No. 5,898,762 (“the ‘762 patent”). Both parties have moved for summary judgment.

EarthLink moves for summary judgment on two sets of issues, exhaustion and non-infringement. EarthLink raises a number of separate non-infringement arguments. Katz moves for summary judgment on Earthlink’s prosecution laches defense.

II. JUDICIAL STANDARD

Summary judgment should be granted “if the pleadings, the discovery and disclosure materials on file, and any affidavits show that there is no genuine issue as to any material fact and that the movant is entitled to judgment as a matter of law.” Fed. R. Civ. P. 56(c); *see Anderson v. Liberty Lobby, Inc.*, 477 U.S. 242, 247-248 (1986); *see also Karlin Tech.*,

1 In response, Katz says that patent exhaustion only applies to the sale of an article, not the
2 sale of services. Moreover, even if patent exhaustion does apply to the sale of services, Katz
3 argues that the doctrine does not apply here because EarthLink has failed to show that the
4 services provided by West embody the “essential features” of the patent and have no substantial
5 non-infringing uses.

7 **1. Services vs. Articles**

8 We first look to see if patent exhaustion can apply to the sale of services as opposed to
9 articles. It is clear that patent exhaustion covers the sale of articles that are both covered by
10 apparatus claims and embodied in method claims. *Quanta*, 128 S. Ct. 2117. However, neither
11 party has cited to a decision that discusses whether the sale of services can exhaust patent rights.
12 Although Katz cites to *Intel Corp. v. ULSI Systems Technology, Inc.*, 995 F.3d 1446 (Fed. Cir.
13 1993), the Federal Circuit did not determine whether exhaustion applies to the sale of services in
14 *Intel* because the agreement involved the sale of chips, not merely the sale of fabrication
15 services. *Id.* at 1568-69. Similarly, EarthLink’s reliance on *Bloomer v. Millinger*, 68 U.S. 340
16 (1863) is not helpful. In *Bloomer*, the Supreme Court stated that “when a patentee has himself
17 constructed the machine and sold it, or authorized another to construct and sell it, or to construct
18 and use and operate it . . . he has then to that extent parted with his monopoly, and ceased to have
19 any interest whatever in the machine so sold or *so authorized to be constructed and operated.*”
20 *Id.* at 350 (emphasis added). This language suggests that exhaustion applies to method claims,
21 not the sale of services. Indeed, *Bloomer* dealt with a planing machine.

24 Despite the absence of precedent that is directly on point, case law explains the rationale
25 underlying the exhaustion defense. In *Quanta*, the plaintiff, LG Electronics (“LGE”), argued that
26 exhaustion only applied to claims directed at an article, not method claims. *Quanta*, 128 S.Ct at
27 2117. The Supreme Court rejected that argument by relying on both precedent and policy. The
28

1 Court stated that it had “repeatedly held that method patents were exhausted by the sale of an
2 item that embodied the method.” *Id.* (citations omitted). The Court went on to explain that a
3 contrary rule would allow patentees to avoid patent exhaustion by simply “draft[ing] their patent
4 claims to describe a method rather than an apparatus.” *Id.* Such a result, “would violate the
5 longstanding principle that, when a patented item is ‘once lawfully made and sold, there is no
6 restriction on [its] use to be implied for the [patentee’s] benefit of the patentee’” *Id.* at 2118
7 (quoting *Adams v. Burke*, 17 Wall. 453, 457, 21 L.Ed. 700).

9 The same policy analysis makes sense in terms of the sale of service. Once a service is
10 lawfully sold, the Court sees no reason why the patentee should be able to somehow prevent the
11 purchaser from enjoying the use of the service. This is particularly true when the purchaser adds
12 nothing to the service. For example, if we assume that: 1) Katz licensed West to provide call
13 processing services, 2) West sold licensed services to its customers, and 3) West performed each
14 and every step of the accused service, it would make no sense to allow Katz to obtain a second
15 recovery from West’s customers for simply using the service they purchased. This would be true
16 even if Katz’s license to West did not grant a sublicense to the customers.¹ In this hypothetical,
17 the services that West is licensed to sell are precisely the same services that its customers are
18 purchasing. Under these circumstances, this Court concludes that application of exhaustion is
19 consistent with the policies underlying the doctrine. Thus, this Court finds that exhaustion does
20 apply to the sale of services.²

23 2. Authorized Sale

24 Patent exhaustion only applies if the sale is authorized. *Quanta*, 128 S.Ct at 2121.

26 ¹ As discussed later, the actual license says that West’s customers are not liable if West provides all of the entire
27 combination of components/steps.

28 ² This Court is cognizant that Katz alleges the facts are different here because EarthLink supposedly supplies some
additional components/steps. Although those facts are clearly relevant to the ultimate conclusion – whether
exhaustion applies in this case – they do not show that exhaustion should never apply to the sale of a service.

1 Although Katz never argues West was not authorized to sell call processing services to
2 EarthLink, Katz mentions that West was “only” licensed to provide “complete” services. (Katz
3 Opp’n to Summ. J. at p.6.) Out of an abundance of caution, the Court examines West’s license
4 with Katz to determine whether West was also authorized to provide call processing services that
5 are used with components/steps supplied by West’s customers.
6

7 There are three agreements between Katz and West that set forth the terms of West’s
8 license. These agreements are: 1) the Settlement and Non-Exclusive Patent Katz-West license
9 dated December 31, 1993 (“the Settlement Agreement”) (Ex. H); 2) a December 22, 1994 letter
10 agreement (“Side Letter Agreement”) between Katz and West (Ex. I); and 3) the Third
11 Modification of License Agreement and License Grant dated December 31, 2003 (“Third
12 Modification”) (Ex. J).
13

14 A review of the agreements show that they provide West a license to the Katz patents,
15 regardless if West provides all or simply part of the services. Section 2(A) of the Settlement
16 Agreement states:

17 [First Data]³ hereby grants to West . . . the non-exclusive license and right, under
18 the Patent Property to manufacture, use and sell Products and Methods and to
19 operate Campaigns in the Territory. This grant does not include the right to sub-
license others.

20 “Campaign” is defined to mean: “services implemented by operation of a combination of
21 interactive computer and communications systems by West or by a customer of West with
22 West's permission . . .” (emphasis added). Thus, the Settlement Agreement allows West to
23 provide services by West or by a combination of West and a West customer. The Side Letter
24 Agreement does not modify that grant.
25

26 The Third Modification limits the right a West customer has to provide licensed services
27 in combination with West. It states that West’s customers are not liable for infringement based

28 ³ First Data is the predecessor in interest to Katz.

1 on their use of combination “provided entirely” by West. *Id.* at § 2.3. However, the customers
2 did not have the same rights when they provided a step/component. An “Unlicensed
3 Combination” is defined as a “combination in which one or more of such steps or components:
4 (a) are provided by a Person that is not expressly licensed under the Patent Property to provide
5 such steps or components; and (b) are not staples in commerce capable of substantial non-
6 infringing use.” *Id.* at § 1.1.5. In sum, the Third Modification grants West a license to provide
7 steps or components used in “Unlicensed Combination” *See Id.* at § 2.1. but does not grant
8 West’s customer a license to provide steps or components used in that combination.⁴ Based on
9 the foregoing, this Court finds that the agreement authorizes West to sell both complete and
10 partial call processing services to EarthLink.
11

12 **3. Embodying Essential Features**

13 Exhaustion is triggered only if the sale of product (or service) embodies essential features
14 of patented invention. *United States v. Univis Lens Co.* 316 U.S. 241, 250-51 (1942); *see*
15 *Quanta*, 128 S.Ct at 2118. The two remaining claims at issue are claim 11 of the ‘150 patent and
16 claim 32 of the ‘762 patent. EarthLink argues that West’s IVR is involved in each of the
17 limitations of claim 11 of the ‘150 patent and six of the seven limitations of claim 32 of the ‘762
18 patent. EarthLink argues that the only limitation from claim 32 that West did not provide was
19 “automatically providing ANI (calling number).” Since that limitation was clearly known in the
20 prior art, EarthLink argues that West’s services embodied the essential features of both claims.
21

22 Katz disagrees with EarthLink on both the facts and law. On the facts, Katz points to
23 additional missing features. Katz says that “West does not provide EarthLink’s central database,
24 Midas, its call center processing software or most of its call centers.” (Katz’s Opp’n to Summ. J.
25 at p. 9.) On the law, Katz says that EarthLink is applying the essential feature test incorrectly.
26

27
28 ⁴ We note that this interpretation is consistent with Mr. Katz’s understanding of the West license. (*See* Katz
Common Dep. at 1265:20-1266:4, Reply App. Ex. 44.)

1 Katz argues that the test is not whether EarthLink supplies features found in the prior art. Rather,
2 the test is to look at what West provides and demonstrate that the claim retains its “patentability”
3 -- that is, “all the inventive aspects.” (Katz’s Opp’n to Summ. J. at p. 9.)
4

5 A review of the Supreme Court’s decisions show that the question of whether a product
6 embodies the essential features of a patent turns on the same factors as the question of
7 contributory infringement. Contributory infringement exists when a party provides a material
8 part of the invention that is especially made or especially adapted for use in an infringement of a
9 patent, and not a staple article or commodity of commerce suitable for substantial non-infringing
10 uses. 35 U.S.C. § 271(c).⁵ Although the Supreme Court has not explicitly stated that patent
11 exhaustion applies whenever a sale would result in contributory infringement, the Court has
12 consistently applied those principles to determine whether a product embodies a patented
13 invention and thus triggers exhaustion.
14

15 For example, in *Univis Lens*, the Univis Lens Company held patents on a particular type
16 of eyeglass lens. The Univis Lens Company licensed the Univis Corporation to manufacture and
17 sell blanks to licensed wholesalers who were authorized to grind the blanks into the patented
18 finished lenses. The wholesalers would then sell the finished lenses to Univis-licensed
19 prescription retailers for resale at a fixed price. Similarly, licensed finishing retailers purchased
20 blanks and, after grinding the blanks into patented lenses, they would sell the finished lenses to
21 their customers at fixed prices. The United States sued Univis for violations of the Sherman
22 Antitrust Act. Univis asserted its patent monopoly rights as a defense to the antitrust suit. The
23 Supreme Court granted *certiorari* to determine whether Univis’s patent monopoly survived the
24 sale of the lens blanks.
25

26 The Court assumed that the Univis patents were practiced in part by the wholesalers and
27

28 ⁵ There is an intent component to contributory infringement that is not relevant to our analysis here.

1 finishing retailers who ground the blanks into lenses. Nonetheless, the Supreme Court held that
2 the sale of lens blanks exhausted the patents on finished lenses. *Univis*, 317 U.S. at 248-249. In
3 arriving at its conclusion, the Court assumed that the sale of lens blanks “would constitute
4 contributory infringement by the seller.” Moreover, the Court discussed how the only use of the
5 lens blank was to practice the patent. *Id.* at 249. In other words, the lens blanks were especially
6 made for use in infringement of the patent, and there were no substantial non-infringing uses.
7

8 More recently, in *Quanta*, the Supreme Court applied the same contributory infringement
9 principles to determine whether exhaustion applied. In *Quanta*, the patent owner, LGE, licensed
10 Intel to manufacture and sell its microprocessors and chipsets, but the agreement stated that the
11 license did not extend to the combination by a third party of licensed products with products
12 made by a party other than Intel or LGE. *Id.* at 2114. Quanta was an Intel customer who
13 purchased Intel products and combined them with non-Intel components to make computers. *Id.*
14 LGE sued Quanta for patent infringement and Quanta raised an exhaustion defense. The
15 Supreme Court noted that “LGE has suggested no reasonable use for the Intel Products other
16 than incorporating them into computer systems that practice the LGE Patents.” *Id.* at 2119. The
17 Court went on to note that, “[t]he Intel Products were specifically designed to function only
18 when memory or buses are attached.” In other words, the Supreme Court found that the Intel
19 products had no substantial non-infringing uses and that they were especially adapted for use in
20 an infringement of the patent.
21
22

23 Thus, the legal approaches advanced by both parties are incomplete. EarthLink’s analysis
24 focuses on whether EarthLink used features found in the prior art. Although these facts are
25 relevant, they do not prove that West’s services embody the essential features of Katz’s patents.
26 In *Quanta*, the Supreme Court discussed how Quanta combined “standard components” with
27 Intel’s products, but that discussion was merely used to show that the Intel products constituted a
28

1 material part of the patented invention. *Id.* at 2120. Similarly, when the Supreme Court was
2 discussing how Intel products “carry out all the inventive processes,” the Court never suggested
3 Intel’s products must be separately patentable to embody the invention. *Id.* at 2120. Rather, the
4 Supreme Court was using that discussion to show that Intel’s products constituted a material part
5 of the patented invention.
6

7 Here, factual issues remain as to whether West’s services embody claim 11 of the ‘150
8 patent and claim 32 of the ‘762 patent. Katz says that West did not provide EarthLink’s central
9 database, Midas, its call center processing software or most of its call centers. EarthLink’s only
10 response is to assert that “West IVR services are without utility to EarthLink unless used with
11 customer data and call processing software.” (EarthLink Reply at p. 4.) Even if this assertion is
12 true, it is unclear whether the West IVR services can be used in a non-infringing manner. For
13 example, can other parties use the West IVR services without combining them with customer
14 data and call processing software? Even if such systems are necessary, do all such systems
15 infringe the two claims at issue? Finally, EarthLink has failed to present any evidence to prove
16 this assertion. Although EarthLink may have a viable exhaustion defense, it has not proven it in
17 the current motion. Accordingly, this Court DENIES EarthLink’s motion for summary judgment
18 with respect to its exhaustion defense.
19

20 **B. Non-Infringement**

21 **1. Legal Standard – Non-Infringement**

22 Under the Patent Act, 35 U.S.C. § 271, liability for patent infringement may be imposed
23 on any person who without permission of the patentee, “makes, uses, offers to sell, or sells any
24 patented invention [] within the United States or imports into the United States any patented
25 invention during the term of the patent therefore.” The rights granted to the patentee are defined
26 by the patent’s claims. *Markman v. Westview Instruments, Inc.*, 517 U.S. 370, 373, (1996).
27
28

1 In determining whether an allegedly infringing device falls within the scope of the
2 claims, a two-step process is used: first, the court must determine as a matter of law the meaning
3 of the particular claim or claims at issue; and second, it must consider whether the accused
4 product infringes one or more of the properly construed claims. *Id.* at 384; *Allen Eng'g Corp. v.*
5 *Bartell Indus., Inc.*, 299 F.3d 1336, 1344 (Fed. Cir. 2002). The second inquiry is a question of
6 fact, although summary judgment of infringement or non-infringement may nonetheless be
7 appropriate when no genuine dispute of material fact exists. *Irdeto Access, Inc. v. Echostar*
8 *Satellite Corp.*, 383 F.3d 1295, 1299 (Fed. Cir. 2004) (quoting *Bai v. L & L Wings, Inc.*, 160
9 F.3d 1350, 1353 (Fed. Cir. 1998)).

11 The patentee bears the burden of proving infringement by a preponderance of the
12 evidence. *Laitram Corp. v. Rexnord, Inc.*, 939 F.2d 1533, 1535 (Fed. Cir. 1991). This burden can
13 be met by showing that the patent is infringed either literally or under the doctrine of equivalents.
14 See *Linear Tech. Corp. v. Impala Linear Corp.*, 379 F.3d 1311, 1318 (Fed. Cir. 2004). To
15 support a finding of literal infringement, the patentee must establish that “every limitation recited
16 in the claim appears in the accused product, i.e., the properly construed claim reads on the
17 accused product exactly.” *Jeneric/Pentron, Inc. v. Dillon Co.*, 205 F.3d 1377, 1382 (Fed. Cir.
18 2000) (citing *Amhil Enters. Ltd. v. Wawa, Inc.*, 81 F.3d 1554, 1562 (Fed. Cir. 1996)).

21 **2. Failure to Provide Infringement Contentions**

22 EarthLink claims that it is entitled to summary judgment of non-infringement on certain
23 accused systems/services for which Katz did not provide “specific allegations” of infringement.
24 Specifically, those services are: Web Hosting Sales and Support, Billing Customer Service, and
25 New Service.

26 As an initial matter, Katz argues that the Billing Customer Service for which EarthLink
27 seeks summary judgment is only the layman’s name for Customer Service, identified prior to
28

1 learning the name used by EarthLink in referring to this service. Katz argues it has provided
2 substantial allegations relating to that service. EarthLink's reply does not dispute Katz's
3 characterization. Accordingly, this Court DENIES EarthLink's motion with respect to the
4 EarthLink's Billing Customer Service application.

5
6 Katz admits that it did not provide infringement contentions for EarthLink's Web Hosting
7 Sales and Support and NEW Services but argues that it was unable to do so because of the
8 sixteen claim limit this Court imposed. As a result, Katz argues that summary judgment should
9 not be granted with respect to these two services because to do so would violate due process.
10 This Court rejects Katz's due process arguments. The Court imposed a sixteen claim limit, but
11 explicitly recognized that Katz might need to exceed that limit. As a result, the Court invited
12 Katz to move for relief from the sixteen claim limit to the extent it could identify non-duplicative
13 claims. Claims that covered different services clearly fall within this category. However, Katz
14 did not move for permission to assert more claims against these services. As a result, Katz cannot
15 complain about a lack of due process now.

16
17 Based on the foregoing, this Court finds that Katz has failed to provide infringement
18 allegations with respect to two of the services EarthLink identified in its motion: 1) EarthLink's
19 Web Hosting Sales and Support, and 2) EarthLink's NEW Services. Accordingly, this Court
20 finds that Earthlink's Web Hosting Sales and Support, and NEW Services do not infringe Katz's
21 patents. Therefore, the Court GRANTS EarthLink's motion for summary judgment as to these
22 applications.

23 24 **3. Control or Direction of Third Parties**

25 EarthLink says that it cannot be liable for infringement because various third parties are
26 involved in the accused infringement. Specifically, EarthLink argues: 1) that West performs
27 many, if not all, of the accused steps of claim 11 of the '150 patent; and 2) a combination of
28

1 West, Sprint and Paymentech own and operate all the components accused of infringing claim 32
2 of the '762 patent. Under these circumstances, EarthLink is only liable if it directed or controlled
3 the actions of these third parties. *See BMC Resources, Inc. v. Paymentech, L.P.*, 498 F.3d 1373,
4 1380 (Fed. Cir. 2007).

5
6 Katz filed a motion to strike these contentions from EarthLink's motion and reply brief
7 on the ground that EarthLink did not disclose its lack of control or direction contentions until the
8 last day of fact discovery. On November 26, 2008, this Court granted the motion. Accordingly,
9 this Court DENIES EarthLink's motion for summary judgment on the issue of non-infringement
10 based on lack of control or direction of third parties.

11 **4. Claim 11 of the '150 Patent**

12 EarthLink raises two non-infringement arguments with respect to claim 11 of the '150
13 patent. These arguments apply to two different groups of accused EarthLink services.
14

15 Claim 11 of the '150 patent depends from claim 10. Together these claims recite:

16 10. A process for interfacing a telephonic communication system including
17 remote terminals with a multiple port, multiple format data processing system,
18 said multiple port, multiple format data processing system for concurrently
19 processing data from said remote terminals according to a plurality of formats, at
least one of said formats having at least one condition for a calling terminal, and
wherein said telephonic communication system provides call data signals, as to
indicate called and calling numbers, said process including the steps of:

20 receiving said call data signals from said telephonic communication system for a
calling remote terminal;

21 selecting a processing format of said multiple port, multiple format processing
22 system for the calling remote terminal under control of said data signals as the
selected format;

23 testing the selected format in relation to said call data signals; and

24 *conditionally interfacing said selected format to a calling terminal under control*
25 *of said testing of call data signals.*

26 11. A process according to claim 10 further including the step of *fetching control*
27 *data addressable with said call data for use in the step of testing.*

28 (emphasis added).

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a. Conditionally Interfacing

EarthLink argues that its Customer Service, Installation Services and Sales Services do not infringe claim 11 of the ‘150 patent because they do not conditionally interface callers. This Court previously interpreted the term “conditionally interfacing” to mean “connecting a call to the selected format once any conditions associated with that format have been satisfied.”

EarthLink argues that its services do not satisfy this limitation because: (1) callers are connected to the format before any testing occurs; and (2) callers can continue to interact with the call flow even after they have satisfied the condition.

Katz disagrees with EarthLink’s claim construction and argues that a caller can have an interaction with the system prior to the conditionally interfacing step. In support of that position Katz points out that the patent states that “the voice generator may be variously used to *prompt or inform* callers in *certain preliminary selection operations* supplemental to the specific operations described below.” (‘150 patent at 10:31-34 (emphasis added).) However, this passage does not show that the test for interfacing occurs after communications between the system and caller. Indeed, Figure 2 of the ‘150 patent never shows any interaction between the caller and the system prior to testing conditions (steps 44, 46, 48 50 and 52). Moreover, Figure 2 depicts initiating the format (step 40) after the conditions are tested. Therefore, the specification is entirely consistent with the claim interpretation advanced by EarthLink, not by Katz.⁶

According to EarthLink, the tests accused of “conditionally interfacing” in EarthLink’s Customer Service, Installation Services and Sales Services call flows occur after the caller has interacted with each accused service. Katz does not challenge this characterization of the accused EarthLink services. As a result, this Court GRANTS EarthLink’s motion for summary judgment

⁶ This Court notes that it addressed a similar issue with respect to claim language from the ‘863 patent and arrived at a different result in other summary judgment decisions. Those decisions are distinguishable because they involved different claim terms and a different specification that described the qualification phase occurring at the beginning of a format.

1 as to non-infringement of claim 11. Specifically, the Court finds that EarthLink’s Customer
2 Service, Installation Services and Sales Services do not infringe claim 11 of the ‘150 patent
3 because they do not conditionally interface callers.

4 **b. Fetching Control Data**

5 EarthLink also argues that its Query_Available_Account, Get_Ordered_Product, and
6 Authenticate_User application programming interfaces do not infringe claim 11 of the ‘150
7 patent because they do not fetch control data. Claim 11 requires “fetching control data
8 addressable with said call data for use in the step of testing.” The Court has not construed what
9 this phrase means. EarthLink says that the phrase refers to “retrieving preset data specifying the
10 condition associated with a select format.” In response, Katz argues that EarthLink is
11 impermissibly importing limitations from the specification. Katz does not offer any alternative
12 construction and argues that the “plain meaning” of control data does not suggest that it is
13 “preset” or “associated with accessing a select format.”
14
15

16 The intrinsic evidence is the primary source for determining the meaning of a claim.
17 *Phillips v. AWH Corp, et al.*, 415 F.3d 1303, 1312-1324 (Fed. Cir. 2005) (*en banc*). The ‘150
18 patent specification does not use the term “control data,” but it does describe control words.

19 [A] control word is fetched under command of the called number as indicated by
20 the block 36. As described in detail below, a control word is available for each
21 operating format of the processor P and is used to impose the conditions for an
22 interface and the terms of any associated billing.

23 As indicated in Fig. 2, the fetched control word of the block 36 prompts an
24 inquiry as to the conditions attendant the selected operating format . . .

25 (‘150 patent at 5:19-28.)

26 The specification goes on to say that “each of the operating formats has a control word
27 for defining any access conditions or limitations to interface the format . . .” *Id.* at 7:16-18.

28 These passages demonstrate that the ‘150 patent was not simply referring to “control

1 data” or “control words” in a generic sense. Thus, this Court rejects Katz’s plain meaning
2 construction. The specification uses “control words” to refer to a category of data used to define
3 access conditions or limitations to interface the format. This Court also rejects EarthLink’s
4 proposal because it is too narrow. EarthLink’s definition only discusses “access,” and fails to
5 discuss how control data can also define limitations to interfacing with a format. Moreover, this
6 Court sees nothing in the specification that requires the “preset” limitation EarthLink would add.
7 Accordingly, this Court defines the term “control data” in claim 11 of the ‘150 patent to mean
8 “data that defines access conditions or limitations to interface the format.”
9

10 The Court assesses the merits of EarthLink’s non-infringement defense with this
11 definition in mind. The accused EarthLink service attempts to locate a caller’s account using
12 ANI (i.e., the caller’s number). Based on the result of the matching process, the accused
13 application programming interfaces return an “Outcome” to the IVR. The Outcome indicates that
14 an account is either found or not found (i.e. a “Yes” or “No”). (Lucantoni Expert Report at ¶
15 263.) According to Katz’s expert, “[t]he Outcome was tested by the IVR in the testing step to
16 control the process.” *Id.* Thus, Katz contends that the Outcome is the fetched control data and
17 that the IVR proceeds to test the Outcome.
18

19 EarthLink argues that fetching the Outcome cannot satisfy claim 11 because the accused
20 testing and fetching steps are actually a single step. Claim 11 requires “fetching control data . . .
21 for use in the step of testing.” As a result, the fetching step must occur before the testing step.
22 EarthLink argues that the accused steps are really one step – testing ANI. As described by Dr.
23 Lucantoni, the accused EarthLink IVR first obtains or “fetches” the Outcome. Subsequently, the
24 IVR tests the Outcome to determine how the caller may proceed. Although the testing step Katz
25 identifies only checks to determine whether the Outcome is a yes or no, there is sufficient
26 evidence to suggest that this is a test. Moreover, there is also evidence to show that this test
27
28

1 occurs after and separate from fetching the Outcome. Accordingly, the Court finds that Earthlink
2 has failed to show that the accused services do not fetch control data. Therefore the Court
3 DENIES EarthLink's motion for summary judgment with respect to non-infringement based on
4 the fetching control data limitation.

5
6 **5. Claim 32 of the '762 Patent**

7 EarthLink argues that it does not infringe claim 32 of the '762 patent for two separate
8 reasons. Claim 32 of the '762 patent depends from claim 30, which depends from independent
9 claim 17. Together these claims recite:

10 17. An analysis control system for use in a mail order facility or the like, said
11 analysis control system for use with a communication facility including remote
12 terminals for individual callers, wherein each of said remote terminals comprises
13 voice communication means and digital input means in the form of an array of
14 buttons for providing data, comprising:

15 interface structure coupled to said communication facility to interface said remote
16 terminals for voice and digital communication and including means to provide
17 answer data signals provided by said individual callers from said remote terminals
18 including signals indicative of an individual caller's customer number and credit
19 card number;

20 credit verification structure to verify said individual caller's customer number and
21 credit card number to determine said individual caller's credit;

22 record structure including memory and control means connected to said interface
23 structure to receive and store data provided by said individual callers;

24 acknowledgement generator structure for *providing a computer generated*
25 *acknowledgement number to said individual callers;*

26 switching structure for transferring certain of said individual callers to a live
27 operator; and

28 central processing station coupled to said record structure to receive data on said
individual callers.

30. An analysis control system according to claim 17, wherein said
communication facility automatically provides signals indicative of calling
terminal digital data for at least certain of said individual callers.

32. An analysis control system for use with a communication facility according to

1 claim 30 wherein the calling digital data controls at least certain aspects of said
2 interface based on at least a portion of said caller's telephone number.

3 (emphasis added).

4 **a. Acknowledgment Number**

5 EarthLink argues that it does not infringe claim 32 because it does not provide an
6 "acknowledgment number." Katz identifies evidence showing that EarthLink's IVR generates an
7 order number and that this order number is used when setting up service with the cable vendor
8 division or changing an appointment with an installer. Katz says that these order numbers are
9 acknowledgment numbers. EarthLink argues that these numbers are not acknowledgment
10 numbers because they are used with a third party satellite or cable provider, not with the IVR.
11

12 This Court previously construed an "acknowledgment number" to mean "a number used
13 by a caller to verify or acknowledge a transaction to the system." (Claim Construction Order at p.
14 8.) EarthLink focuses on the "to the system" language to suggest that a caller must provide the
15 confirmation number "to the system." This issue was not raised during the claim construction
16 briefing, and the Court certainly did not intend to address this issue when it drafted its
17 definition.⁷
18

19 A review of the '762 patent specification shows at least two relevant descriptions of an
20 acknowledgment number. ('762 patent at 7:59-9:2 and 11:50-58.) In one example, the caller
21 repeats the acknowledgment number to the system. However, in the second example, the
22 specification merely states that "[t]he acknowledgement digits serve to identify the order both for
23 the caller and the mail-order house. Accordingly, tracing is facilitated." *Id.* at 11:53-58. This
24 Court must walk the fine line of using the specification to interpret the meaning of a claim
25 without importing limitations from the specification into the claim. *See Phillips*, 415 F.3d at
26

27 _____
28 ⁷ This Court's claim construction resolved whether the acknowledgment number: 1) had to be used by a caller; and
2) had to be used during the same call that the number was provided.

1 1323. In this Court’s judgment, there is nothing within the specification or the term itself that
2 requires an acknowledgment number to be provided to the system. Accordingly, this Court finds
3 that Earthlink has failed to show that its systems do not generate acknowledgement numbers.
4 Therefore, the Court DENIES EarthLink’s motion for summary judgment with respect to non-
5 infringement based on the acknowledgement number limitation.
6

7 **b. Means Plus Function/Algorithms**

8 EarthLink argues that claim 32 contains two means plus function limitations governed by
9 *WMS Gaming, Inc. v. International Game Technologies*, 184 F.3d 1339 (Fed. Cir. 1999). Since
10 Katz has failed to identify any algorithms in the accused structure that perform the recited
11 function, EarthLink argues that it is entitled to a non-infringement ruling. In response, Katz
12 points out that *WMS Gaming* only applies when a patent discloses a general purpose computer
13 performing the recited function of a means plus function limitation. Here, Katz says that the ‘762
14 patent discloses other specific structures. As a result, Katz argues that it does not need to identify
15 the specific algorithm in the accused systems.
16

17 The two limitations at issue are: 1) the “credit verification structure to verify said
18 individual caller’s customer number and credit card number to determine said individual caller’s
19 credit,” and 2) the “acknowledgment generator structure for providing a computer generated
20 acknowledgement number to said individual callers.” The two elements at issue are the “credit
21 verification structure” and “acknowledgment number structure.” Both parties agree that these are
22 means plus function limitations governed by 35 USC § 112 ¶ 6. A means plus function limitation
23 is interpreted to encompass: 1) the recited function, and 2) the structures disclosed in the
24 specification that correspond to that function and their equivalents. *Applied Med. Res. Corp. v.*
25 *U.S. Surgical Corp.*, 448 F.3d 1324, 1332 (Fed. Cir. 2006). The recited function of the “credit
26 verification structure” is to “verify said individual caller’s customer number and credit card
27
28

1 number to determine said individual caller's credit." The recited function of the
2 "acknowledgment number structure" is "providing a computer generated acknowledgement
3 number to said individual callers."

4 Without any analysis, EarthLink argues that the specification discloses a general purpose
5 computer to perform these functions. If EarthLink is correct, under *WMS Gaming*, the disclosed
6 structure must include both the general purpose computer and algorithms disclosed by the
7 specification. *Id.* at 1349.

8 Katz disagrees and argues that the '762 patent specification discloses special purpose
9 components to perform the recited functions. With respect to the credit verification structure,
10 Katz identifies the interface 20, processors PR1-PRN, which have qualification unit 93, buffer 97
11 and memory 98 as performing the recited function. In support of that contention, Katz's expert,
12 Dr. Brody, identifies a passage that describes the qualification unit 93 performing a two stage
13 test under control of the processing unit 92. (Brody Decl. at ¶ 384 (citing to '762 patent at 11:17-
14 35).) The test verifies the customer number and credit card information. This passage shows that
15 qualification unit 93 corresponds to the recited function of the claimed "credit verification
16 structure." Dr. Brody also states that processing unit 92, buffer 97 and memory 98 should be
17 included as corresponding structures, but does not explain the basis for these additions. (Brody
18 Decl. at ¶ 380.) For the purposes of this motion, this Court does not need to determine if these
19 structures also correspond to the recited function. This Court only needs to determine whether
20 this means plus function limitation falls within *WMS Gaming*. It does not because the
21 qualification unit 93 performs the recited function.
22
23
24

25 With respect to the acknowledgment structure, Katz identifies five different combinations
26 of structures that perform the recited function:

- 27 (a) one or more of processors PR1-PRn;
28

- 1 (b) processing unit 92 and designation unit 96;
- 2 (c) processing unit 92, designation unit 96, and random generator 101;
- 3 (d) processing unit 92, designation unit 96, random generator 101, and encryptor 102; or
- 4 (e) central processing unit 251.

5 (Brody Decl. at ¶ 386.)

6
7 In support of this conclusion, Dr. Brody cites to a passage that states “[t]he system then
8 operates the designation unit 96 . . . to develop and announce the acknowledgement digits as
9 stored in the block 144.” (Brody Decl. at ¶ 391 (citing to ‘762 patent at 11:48-54).) A later
10 passage suggests that the acknowledgement number may be created with the random number
11 generator 101 with or without the encryptor 102. (‘762 patent at 12:58-13:3.) These passages
12 show that the designation unit 92 and the random number generator 101 with or without the
13 encryptor 102 corresponding to the recited function of the claimed “acknowledgment structure.”

14
15 In its reply brief, EarthLink argues that under *MediaTek, Inc. v. Sanyo Elec. Co.*, 513
16 F.Supp.2d 778, 786 (E.D. Tex. 2007), if a specification that only describes a special purpose
17 component’s function in terms of an algorithm, the structure must include the algorithm. This is
18 a different argument than EarthLink raised in its opening brief, and Katz has not had an
19 opportunity to brief this matter.

20
21 Nonetheless, this argument can be addressed without further briefing. Under *MediaTek*, if
22 a special purpose component is described only by an algorithm, that algorithm must be included
23 in any means plus function interpretation that involves the component. We do not need to
24 determine if *MediaTek’s* rule is correct because the rule it advances does not apply here. The
25 ‘762 patent specification describes the qualification unit 93’s function in terms unrelated to the
26 algorithm EarthLink identifies. For example, the specification discusses how the qualification
27 unit 93 registers calls in association with a use rate calculator 100. (‘762 patent at 20:18-22.)
28

1 Thus, the “qualification unit” is not simply another way of describing a component that performs
2 the algorithm EarthLink identifies. The same is true for the designation unit 96. (*See, e.g.*, ‘762
3 patent at 12:59-63.) Moreover, the names of the random number generator 101 and encryptor
4 102 suggest that these components are not simply defined by the algorithm EarthLink identifies.
5

6 Accordingly, this Court finds that the structures that perform the recited functions for the
7 “credit verification structure” and “acknowledgment number structure” are not general purpose
8 computers. Therefore, these limitations do not fall under *WMS Gaming* and no analysis of the
9 specific algorithms disclosed by the ‘762 patent is necessary to construe these two limitations.
10 Based on the foregoing, this Court also DENIES EarthLink’s motion for summary judgment with
11 respect to non-infringement of claim 32 based on those limitations.
12

13 **6. Doctrine of Equivalents**

14 EarthLink asks this Court to rule that there is no infringement based on the doctrine of
15 equivalents because Katz failed to make any substantive allegations under this doctrine. During
16 discovery, Katz failed to argue that there is infringement under the doctrine of equivalents for
17 claim 11 of the ‘150 patent. With respect to claim 32 of the ‘762 patent, Katz has only provided
18 boilerplate doctrine of equivalents assertions.
19

20 In response, Katz argues that it is premature for the Court to rule on doctrine of
21 equivalents issues.⁸ Katz points out that there are several claim construction issues the Court
22 must resolve. Until the Court rules on these issues, Katz argues that it cannot formulate positions
23 under the doctrine of equivalents. Katz also argues that it did not become aware of EarthLink’s
24 non-infringement positions until after Katz submitted its expert report. Therefore, it could not
25 provide its contentions under the doctrine of equivalents in its opening expert report.
26

27 _____
28 ⁸ Katz also points out that it identified equivalent structures for each means plus function claim. This evidence goes to literal infringement and the argument is not helpful.

1 At this point, Katz knows EarthLink’s positions on both claim construction and non-
2 infringement, and Katz’s opposition brief still does not provide any substantive contentions
3 regarding the doctrine of equivalents. The Federal Circuit has repeatedly held that cursory
4 statements that support infringement under the doctrine of equivalents will not survive a motion
5 for summary judgment. *Stumbo v. Eastman Outdoors, Inc.*, 508 F.3d 1358, 1365 (Fed. Cir.
6 2007). Here, Katz has never provided any particularized testimony regarding infringement under
7 the doctrine of equivalents. Based on the foregoing, this Court finds that Katz has failed to raise
8 a genuine issue of fact with respect to this issue. *See Motionless Keyboard Co. v. Microsoft*
9 *Corp.*, 486 F.3d 1376, 1382-83 (Fed. Cir. 2007) (To avoid summary judgment of non-
10 infringement by equivalents, the patentee must present “particularized evidence and linking
11 argument as to the ‘insubstantiality of the differences’ between the claimed invention and the
12 accused device, or with respect to the ‘function, way, result’ test.” (citations omitted)).
13 Accordingly, this Court GRANTS EarthLink’s motion for summary judgment and finds that
14 there is no infringement of claims 11 and 32 under the doctrine of equivalents.
15

17 **7. Induced and Contributory Infringement**

18 EarthLink asks this Court to rule that it is not liable for induced infringement or
19 contributory infringement based on Katz’s failure to provide any allegations on these issues. In
20 its opposition brief, Katz states that there is evidence that “EarthLink works in concert with third
21 parties, such as West, Sprint and/or Paymentech to provide the accused services and systems to
22 its customers.” (Katz Opp’n to Summ. J. at p. 24.) However, Katz fails to cite to any of that
23 evidence. Moreover, Katz does not even identify who is performing the predicate direct
24 infringement. *See Golden Blount, Inc. v. Robert H. Peterson Co.*, 438 F.3d 1354, 1372 (Fed. Cir.
25 2006) (“it is horn-book law that ‘[I]ability for either active inducement of infringement or
26 contributory infringement is dependent upon the existence of direct infringement.’”)(quoting *Joy*
27
28

1 *Techs., Inc. v. Flakt, Inc.*, 6 F.3d 770, 774 (Fed.Cir.1993)).

2 Katz also argues that there is “ample evidence” showing that “EarthLink directs and
3 controls the accused systems and services.” However, Katz does not explain why this evidence
4 shows inducement or contributory infringement. Instead, the allegations appear to be calculated
5 to show that EarthLink is liable for direct infringement even though some of the limitations may
6 be satisfied by others. *See BMC Resources*, 498 F.3d at 1381 (“A party cannot avoid
7 infringement, however, simply by contracting out steps of a patented process to another entity. In
8 those cases, the party in control would be liable for direct infringement.”) Indeed, Katz’s
9 opposition describes this evidence in the section related to direct infringement. (Katz Opp’n to
10 Summ. J. at pp. 12-16.) Thus, Katz appears to understand that the control issue relates to direct
11 infringement and not indirect infringement.
12

13
14 Based on the foregoing, this Court finds that Katz has failed to raise a genuine issue of
15 fact with respect to induced infringement or contributory infringement. Accordingly, this Court
16 finds that Earthlink is not liable for induced infringement or contributory infringement, and
17 GRANTS EarthLink’s motion for summary judgment on this issue.
18

19 **IV. KATZ’S CROSS MOTION FOR SUMMARY JUDGMENT**

20 **A. Prosecution Laches**

21 Katz’s summary judgment motion asks this Court to dismiss EarthLink’s affirmative
22 defense of prosecution laches. The equitable doctrine of prosecution laches may bar enforcement
23 of patent claims issuing after an unreasonable and unexplained delay in prosecution, even though
24 the applicant complied with pertinent statutes and rules. *Symbol Techs., Inc. v. Lemelson Med.,*
25 *Educ., & Research Found.*, 277 F.3d 1361, 1363 (Fed. Cir. 2002) (hereinafter “Symbol I”).
26
27
28

1 **1. Legal Standard – Prosecution Laches**

2 In *Symbol I*, the Federal Circuit did not issue any “firm guidelines” for determining when
3 laches exists. *Symbol Techs., Inc. v. Lemelson Med., Educ., & Research Found.*, 422 F.3d 1378,
4 1385 (Fed. Cir. 2005) (hereinafter “Symbol II”). Both parties agree that prosecution laches
5 requires an unreasonable and unexplained delay in the prosecution of a patent. However, they
6 disagree about whether intervening adverse rights is also a requisite element. Katz argues that
7 intervening rights is an essential element of the defense, while EarthLink argues that it is simply
8 one factor to be considered in a totality of circumstances determination.
9

10 In support of its position Katz cites to *Crown Cork & Seal Co. v. Ferdinand Gutmann*
11 *Co.*, 304 U.S. 159, 167-68 (1938), and *General Talking Pictures Corp. v. Western Electric Co.*,
12 304 U.S. 175, 183 (1938) and argues that these Supreme Court decisions have held that
13 prosecution laches does not apply in the absence of intervening rights. Katz also points out that
14 the Federal Circuit relied, in part, on these decisions to revive the doctrine of prosecution laches.
15 *Symbol I*, 277 F.3d at 1365. Therefore, Katz concludes that the intervening rights requirement
16 remains intact. Finally, Katz points out that this Court has arrived at the same conclusion in an
17 earlier decision. *See Verizon California Inc. v. Ronald A. Katz Technology Licensing, L.P.*, No.
18 01-CV-9871 (RGK) (RCx), 2003 U.S. Dist. LEXIS 23553, at *62-63 (C.D. Cal. Dec. 2, 2003)
19 (“it appears that proof of ‘intervening adverse public rights’ is a requisite element of a successful
20 prosecution laches defense.”).
21
22

23 In response, EarthLink argues that the Federal Circuit has never stated that intervening
24 rights is required. EarthLink says that “intervening private and public rights” is merely one of
25 many factors to consider in the totality of circumstances determination and cites to a number of
26 cases. *See, e.g., In re Bogese II*, 303 F.3d 1362, 1367 (Fed. Cir. 2001); *Hynix Semiconductor v.*
27 *Rambus*, 2007 WL 4209386, at *5 (N.D. Cal. Nov. 26, 2007) (stating how “[c]onsidering the
28

1 totality of the circumstances the court cannot say that there is no genuine issue of material fact
2 regarding whether Rambus unreasonably delayed in prosecuting this family of patents.”).
3 *Regents of Univ. of Cal. v. Monsanto Co.*, 2005 WL 3454107 (N.D. Cal. Dec. 16, 2005); *Reiffin*
4 *v. Microsoft Corp.*, 281 F. Supp. 2d 1149 (N.D. Cal. 2003).

5
6 After reviewing the decisions, this Court concludes that Katz is correct and that the
7 Supreme Court has addressed the issue of intervening rights. In both *Crown Cork* and *General*
8 *Talking Pictures*, the Supreme Court held that prosecution laches would not apply absent
9 intervening adverse rights. *Crown Cork*, 304 U.S. at 167 (“It is clear that, in the absence of
10 intervening adverse rights, the decision in *Webster Electric Co. v. Splitdorf Co.*, *supra*, does not
11 mean that an excuse must be shown for a lapse of more than two years in presenting the
12 divisional application.”); *General Talking Pictures*, 304. U.S. at 183 (“In the absence of
13 intervening adverse rights for more than two years prior to the continuation applications, they
14 were in time.”). Although the precedent is old, it is controlling. Therefore, this Court likewise
15 finds that to prevail on a claim of prosecution laches, the defendant must prove both: 1)
16 unreasonable and unexplained delay, and 2) intervening adverse rights.
17

18 **2. Unreasonable Delay**

19 Katz’s summary judgment motion argues that EarthLink does not have evidence of
20 unreasonable delay. However, EarthLink offers the expert report of Professor Wagner that
21 compared the pendency of Katz’s patents against other patents prosecuted during the same time
22 period. The report shows that the pendency of claim 32 was longer than 99% of other patents.
23 These delays are certainly significant and might provide a basis for finding prosecution laches.
24 Moreover, EarthLink points to three extensions Katz filed. The question revolves on whether
25 Katz can provide a reasonable explanation for that delay. Katz’s motion argues that it was
26 diligent and hastened the issue of patents by having at least one patent issue between 1988 and
27
28

1 2004. However, EarthLink submits the expert report of Gerald Mossinghoff and he concludes
2 that the substantial delays were unreasonable. With all of the evidence in mind, this Court finds
3 that there is a genuine issue of material fact with respect to the issue of unreasonable and
4 unexplained delay with respect to claim 32.

5
6 In contrast, EarthLink concedes that the '150 patent issued relatively timely. EarthLink
7 relies on other delays in the '150 patent family to show an overall pattern of delay. Although
8 prosecution laches can be based on entire pattern of delay, EarthLink must still identify some
9 delays directly related to the '150 patent. It has not done so here. As a result, this Court finds that
10 EarthLink has failed to offer substantial evidence of delay with respect to claim 11 of the '150
11 patent.

12 **3. Intervening Adverse Rights**

13
14 In its October 10, 2008 Order, this Court struck EarthLink's intervening right arguments
15 related to prosecution laches. EarthLink failed to identify any specific intervening rights during
16 discovery. Instead, EarthLink's opposition to Katz's summary judgment motion made that
17 identification for the first time. The Court found that the late disclosure prevented Katz from
18 taking discovery on EarthLink's defense and struck those arguments. As a result, EarthLink
19 cannot provide evidence of an essential element of its prosecution laches defense and this Court
20 GRANTS Katz's motion for partial summary judgment as related to prosecution laches.
21

22 **V. SUMMARY**

23 **A. Exhaustion**

24
25 This Court finds that exhaustion applies to the sale of services and that West was
26 authorized to sell both complete and partial call processing services to EarthLink. Nonetheless,
27 this Court DENIES EarthLink's motion for summary judgment with respect to its exhaustion
28

1 defense because there are factual issues with respect to whether West’s services embody claim
2 11 of the ‘150 patent and claim 32 of the ‘762 patent.

3 **B. Non-Infringement**

4 1. This Court GRANTS EarthLink’s motion for summary judgment of non-infringement
5 with respect to EarthLink’s Web Hosting Sales and Support, and EarthLink’s NEW Services
6 because Katz has failed to allege infringement of these services. The Court DENIES EarthLink's
7 motion for summary judgment of non-infringement with respect to EarthLink's Billing Customer
8 Service application.
9

10 2. This Court DENIES EarthLink’s motion for summary judgment on the issue of non-
11 infringement based on lack of control or direction of third parties.
12

13 3. EarthLink argues that it does not infringe claim 11 of the ‘150 patent for two reasons.
14 First, EarthLink argues that the accused services do not “conditionally interface callers.” Second,
15 EarthLink argues that the accused services do not “fetch control data.” This Court GRANTS
16 EarthLink’s motion for summary judgment and finds that EarthLink’s Customer Service,
17 Installation Service and Sales Service do not infringe claim 11 of the ‘150 patent because they do
18 not conditionally interface callers. However, this Court finds that EarthLink has failed to show
19 that the Query_Available_Account, Get_Ordered_Product, and Authenticate_User application
20 programming interfaces do not fetch control data.
21

22 4. EarthLink argues that it does not infringe claim 32 of the ‘762 patent for two reasons.
23 First EarthLink argues that the accused services do not provide an “acknowledgment number.”
24 Second, EarthLink argues that Katz has failed to identify an algorithm that implements the
25 function of the “credit verification structure” and “acknowledgment number structure.” This
26 Court DENIES EarthLink’s motion for summary judgment with respect to both of these
27 arguments.
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5. This Court GRANTS EarthLink's motion for summary judgment with respect to non-infringement under the doctrine of equivalents.

6. This Court GRANTS EarthLink's motion for summary judgment with respect to non-liability for induced infringement or contributory infringement.

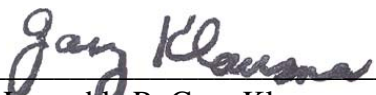
C. Prosecution Laches

This Court GRANTS Katz's motion for summary judgment on prosecution laches on the grounds that EarthLink has failed to offer evidence of intervening rights and of delay with respect to claim 11 of the '150 patent.

To the extent the Court has relied on evidence to which the parties have objected, those objections are overruled.

IT IS SO ORDERED.

DATED: May 1, 2009


Honorable R. Gary Klausner
United States District Judge