UNITED STATES DISTRICT COURT
FOR THE NORTHERN DISTRICT OF ILLINOIS
EASTERN DIVISION

SMART SYSTEMS INNOVATIONS, LLC, Plaintiff, v. CHICAGO TRANSIT AUTHORITY, CUBIC CORPORATION, CUBIC TRANSPORTATION SYSTEMS, INC., and CUBIC TRANSPORTATION SYSTEMS CHICAGO, INC., Defendants.	)	No. 14 C 08053 Judge Edmond E. Chang

ORDER

In this patent-infringement case, Smart Systems alleges that the Chicago Transit Authority's Ventra transit-fare collection system infringes on five patents owned by Smart Systems. As detailed in a prior opinion, the Court deemed invalid four of those patents. R. 81. Specifically, the Court held that U.S. Patent Nos. 7,566,003, 7,568,617, 8,505,816, and 8,662,390 were invalid because the patents' claims are directed to a patent-ineligible abstract idea, R. 81 at 10-12, and the claims did not otherwise incorporate an inventive concept that could transform the patent into covering something more than the ineligible concept, R. 81 at 13-17. Accordingly, the four patents were invalid because they sought to claim unpatentable subject matter under 35 U.S.C. § 101.

The remaining patent is No. 5,828,044. The defense did not target the '044 patent in the § 101 challenge, and unlike the other four patents, the '044 does

appear to cover more-concrete credit-card systems in the three independent claims that are at issue in this case, namely, Claims 1, 6, and 46. Generally speaking, the independent claims describe a non-contacting credit-card system that uses a radio-frequency (RF) card, of a specified type, for a transaction. R. 91-2 at 3, 4. The system includes a terminal that receives the card's number data via a radio frequency, so there is no need to insert the card into a reader. In turn, the terminal sends the card number data to a computer that checks the card number for approval (or disapproval) of the transaction. The claims reflect various differences from that general description (which is essentially Claim 1), including whether the transaction is specific to a transit system (Claim 6) or a bus (Claim 46) or to a 16-numeral credit-card number (also Claim 46).

Rather than litigate this remaining patent to judgment and then enter a final judgment on all the patents, Smart Systems asks that this Court certify the decision on the other four patents for an interlocutory appeal by entering a partial final judgment under Federal Rule of Civil Procedure 54(b). In pertinent part, Rule 54(b) says that entry of final judgment on a subset of claims is permitted, though to do so is the exception and not the general practice:

> the court may direct entry of a final judgment as to one or more, but fewer than all, claims or parties only if the court expressly determines that there is no just reason for delay.

Fed. R. Civ. P. 54(b). The Federal Circuit instructs that "it must be apparent, either from the district court's order or from the record itself, that there is a sound reason to justify departure from the general rule that all issues decided by the district

court should be resolved in a single appeal of a final judgment." *iLor, LLC v. Google, Inc.*, 550 F.3d 1067, 1072 (Fed. Cir. 2008).[1] In determining whether to enter a Rule 54(b) judgment, the Court must balance the needs of the parties versus the strong presumption that judicial efficiency generally requires only one appeal at the end of the entirety of the case. *See Spraytex, Inc. v. DJS&T*, 96 F.3d 1377, 1382 (Fed. Cir. 1996). Each time a court gears up to decide a case, including an appeal, it invests time in learning, and re-learning, the case's procedural background, factual setting, and general legal issues, even if the specific issues are not precisely the same (the district-court analogue to this is generally requiring only one-round of summary-judgment motions, rather than piecemeal motions throughout discovery). And if the appeal would hold-up the trial litigation on the remaining claims, then that delay would also counsel in favor of getting to the finish line and allowing just one appeal. Indeed, there might not ever be an appeal at all, depending on the outcome of the trial litigation. (All of this assumes that the district-court decision on the subset of claims (or parties) really is a "final" one on those claims (or parties). Here, the CTA and the co-defendants do not dispute that the § 101 invalidation of the four patents was final as to those claims for purposes of Rule 54(b).)

With those background principles in place, the Court turns to the specifics of this case. Here, there is a sound reason to allow an interlocutory appeal on the four patents: the possibility of avoiding two trials. If the parties move along promptly in the Federal Circuit, then there is a solid chance that the appeal will be decided

[1] Federal Circuit law applies to Rule 54(b)-certification issues, rather than regional Circuit law. *Storage Tech. Corp. v. Cisco Sys., Inc.*, 329 F.3d 823, 830 (Fed. Cir. 2003).

before the remaining claims go to trial down here in the district court. The '044 patent still requires claim construction; post-construction discovery; and, probably, a round of summary judgment briefing and decision. The proposed appeal would present a question of law on a limited record, and as noted, there is a solid chance of an appellate decision before trial (if there is one) on the '044 patent. If this Court's decision is reversed, then the Court will have a chance to put the brakes on before the trial on the '044 trial, and will have a chance to consolidate the litigation on the four patents into one trial. To hold a jury trial requires significant investment of judicial and, more importantly, community resources, and it would be much better to hold one trial in this case, rather than two.

So there is an *affirmative* reason to allow appeal, but do the usual reasons for waiting (as discussed above) outweigh it? To start, Smart Systems contends that there is no risk that the Federal Circuit would have to decide the same issues twice. Stated at that level of generality, this reason obfuscates the real issue, because it always is the case that there is no need to consider the "same" issue twice: the first appellate decision would always be binding when the same issue arose again. Really the question is, even if the precise "same" issue will not arise again, will there be some overlap or relationship between the proposed appellate issue and the remaining trial-court issues such that the Federal Circuit would have to devote, in a second appeal, the time in re-learning the facts of the litigation, figuring out the applicable legal principles, and applying the principles to facts that are similar to the proposed appeal?

On overlap and relatedness, Smart Systems first argues that the four patents, claims, specifications, and so on are different from the '044 patent. R. 83 at 6-7. But of course they are different. If the inventors had tried to present essentially the same patents again and again, they presumably would have been rejected. More importantly, however, is what Smart Systems truly is relying on (as its motion eventually does): the patents in *substance* are so different that the risk of overlap and relatedness is small. For example, Smart Systems points out that the defense cited 25 prior-art references against the remaining patent (the '044 patent), but at most only three of those 25 references were cited against the other patents. R. 83 at 7. It is true that the dissimilarity in prior-art references is some evidence of the dissimilarity of the patents. More to the point, however, is that the specifics of the patents themselves and the parties' claim-construction briefing (which is now complete, R. 92, 98, 100) show that there is little risk of overlap and relatedness between the proposed appeal and the remaining trial litigation (indeed, Smart Systems says it is ready to continue litigating the '044 patent even as the proposed appeal is litigated). As discussed above, even the independent claims of the '044 patent describe credit-card systems that are much more concrete[2] than the invalidated four patents, and the proposed claim-construction terms (there are seven total, as stated in the briefing, as well as charted-out in R. 101) do not appear to require the Court to refer back to some interpretation of the other four patents. Put another way, the Court acknowledges that it is possible that a district court, in

[2] The defense does argues that the word "several" in the independent claims is too indefinite; of course, the Court reserves judgment on that issue.

deciding a § 101 challenge, will engage in interpretation of challenged patents in such a way that the interpretation would have some bearing on related, unchallenged patents. But that does not appear to be the case here. The proposed claim-construction terms in '044's independent claims simply will not be influenced by the § 101 decision. So, if the proposed appeal is allowed, the Federal Circuit is not likely to be forced into wasting judicial resources by having to gear-up again on a second appeal over related issues.

Against this, the defense argues that the accused transit-fare system is the same for the '044 patent-infringement claim as it is on the other four patents. That is true, as far is it goes. But deciding the § 101 opinion did not require a deep-dive, or really any in-depth examination, of the details of the CTA's Ventra system. The point of the challenge, and of the decision, was that the four patents themselves are invalid as trying to cover unpatentable subject matter—no matter what system is accused. In view of the absence of a risk of overlap, there is no just reason to await the final end of the case before allowing an appeal on the four invalidated patents.

As a final note, though it does not undermine the Rule 54(b)-certification's propriety, the Court does reject Smart Systems's other argument, namely, that putting off the appeal of the four patents would keep a "cloud" over these patents and hamper Smart Systems's ability to enforce them. R. 83 at 8. It is par for the course that a decision in litigation on a subset of claims puts a "cloud" on either the plaintiff or the defendant in the case. In corporate litigation, unless the cloud has a bet-the-company influence on a litigant, then that "cloud" is a business risk that

corporations routinely bear when engaging in litigation. Non-parties to the litigation, whether they are potential other plaintiffs, defendants, or investors, will analyze the district-court decision bearing in mind that it is a trial-level decision. So there is nothing inherently unjust about a litigant having to deal with the consequences of a trial-level decision on a subset of claims. And, here, there is no record evidence (and Smart Systems did not try to submit any) that the decision has a right-now drastic effect on its business. As mentioned earlier, however, the real benefit to allowing an appeal now is the possibility of avoiding two trials.

For the reasons discussed above, Smart Systems's motion to enter partial judgment under Rule 54(b) is granted. There is no just reason to delay entering judgment against Smart Systems on Counts Two through Five, namely, the infringement claims premised on the '003, '617, '816, and '390 patents.

ENTERED:

s/Edmond E. Chang
Honorable Edmond E. Chang
United States District Judge

DATE: November 10, 2015