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United States District Court
For the Northern District of California

IN THE UNITED STATES DISTRICT COURT
FOR THE NORTHERN DISTRICT OF CALIFORNIA

PLUMTREE SOFTWARE, INC, a
Delaware corporation,

No C-04-2777 VRW

ORDER

Plaintiff

v

DATAMIZE, LLC, a Wyoming limited
liability corporation,

Defendant.

_____/

Plaintiff Plumtree Software, Inc ("Plumtree") brings this action to obtain a declaratory judgment that its products do not infringe on two of defendant Datamize, LLC's ("Datamize") patents. Doc #1 (Compl). Datamize moves the court to dismiss Plumtree's complaint pursuant to FRCP 12(b)(1). Doc #13 (Mot Dis). Plumtree opposes. Doc #33 (Opp Dis). Additionally, Plumtree moves for summary judgment in its favor on the ground that Datamize's patents, US Patent Nos 6,460,040 ("040 patent") and 6,654,418 ("418 patent"), are invalid pursuant to the on-sale bar doctrine, 35 USC § 102(b). Doc #8 (MSJ). Datamize opposes. Doc #30 (MSJ

1 Opp). Based on the parties' memoranda and the applicable federal
2 law, the court DENIES Datamize's motion to dismiss and GRANTS
3 Plumtree's motion for summary judgment.

4
5 I

6 A

7 Plumtree is a publicly traded computer software company
8 located in San Francisco, California. Mot Dis at 2. Plumtree
9 develops, markets and licenses "corporate portal" software. A
10 "corporate portal" is web-based software that brings together a
11 variety of applications and information in a comprehensive platform
12 within an organization. MSJ at 3. Plumtree's customers use its
13 software to develop their own corporate Intranet sites, which allow
14 employees to access, manage and search a variety of information
15 from within and outside of the organization. Id.

16 Datamize is a start-up software company located in
17 Missoula, Montana. Mot Dis at 2. In early 1993, Datamize's single
18 employee, Kevin Burns, invented the two patents at issue in this
19 case: the '040 and the '418 patents. Id. The '040 and the '418
20 patents were entitled "Authoring System for Computer-based
21 Information Delivery System" and were continuations of Burns's US
22 Patent No. 6,014,137 (" '137 patent"). In December 1994, Burns
23 first completed a version of his kiosk authoring tool "reduc[ing]
24 to practice the inventions claimed in the claims of the three
25 patents." Levin Decl, Ex 3 (Burns Depo) at 78:18-24. The '137,
26 '040 and '418 patents were issued on January 11, 2000, October 1,
27 2002, and December 2, 2003, respectively. Doc #9 (Levin Decl), Ex
28 1-2; Doc #1, Ex A (VRW 02-05693).

1 The kiosk authoring tool that Burns designed using the
2 '040 and '418 patents is a "multimedia kiosk authoring system for
3 use in developing and maintaining user interface screens for
4 multimedia kiosk systems." Levin Decl, Ex 1-2. Burns designed the
5 authoring system to "be used by persons with little or no
6 experience in the intricate details of computer programming thereby
7 making it easier for a large number of persons to set up kiosk
8 interface screens." Burns Decl at ¶ 3. The system "accomplishes
9 this by providing pre-defined building blocks or screen elements
10 (ie, pre-defined windows, buttons, and images) to be used in
11 constructing an interface screen." Id. Burns described the
12 invention as "a method used to build interface screens for a kiosk
13 or computer system." Id.

14 In 1993, Kevin Burns and his father, Emmett Burns, formed
15 Multimedia Adventures ("MA") to pursue the commercialization of the
16 inventions disclosed in the '137, '040 and '418 patents. Burns
17 Decl at ¶ 4; Levin Decl, Ex 5 (Emm Burns Depo) at 28:18-29:16.
18 Kevin Burns described MA as "a marketing company that developed the
19 computer system to market different entities with the first focus
20 being the ski industry." Burns Depo at 20:8-10. In 1994, MA hired
21 Jim Lorence to handle MA's sales and marketing. Levin Decl, Ex 4
22 (Burns Depo 2) at 194:9-13. Between October 1994 and February
23 1995, Lorence pitched MA's kiosk systems to Bally's Entertainment
24 Corporation, Ski Lake Tahoe and Ski Industries America ("SIA").
25 Levin Decl, Ex 17-18.

26 In the winter of 1994-1995, MA learned that SIA planned
27 to hold a trade show in March 1995. Doc #30 (MSJ Opp) at 4. The
28 trade show included the "Mountain Visions" store, at which thirty-

1 one companies paid \$2,000 to \$10,000 for booth space to feature
2 their products. Emm Burns Depo at 129-130. On January 17, 1995,
3 MA made a presentation to SIA consisting of "a series of foils
4 describing MA, its business, and a demonstration of skiing-related
5 full motion video and images[.]" MSJ Opp at 4-5. Specifically, MA
6 presented its kiosk system, which "allowed users to walk up to the
7 kiosks and navigate through screens to view information on products
8 offered by various vendors, and to perform transactions on the
9 kiosk." Travis Decl at ¶ 12. According to Emmett Burns, MA
10 "wanted to show [SIA] the quality of the video and stuff we had
11 and, hopefully, they would allow us in the [Mountain Visions]
12 store." Emm Burns Depo at 134:8-10.

13 MA's demonstration was not interactive, and MA did not
14 offer to sell anything to SIA. Id at 136:11-137:17; 135:20-22. MA
15 did, however, agree to a "bargain" with SIA, whereby MA agreed: "If
16 you [SIA] let us [MA] in the show, we [MA] will get content and put
17 that into the system and have it in the Mountain Vision[s] store;
18 and if that occurs, we want to be able to talk about it in the
19 future." Id at 152. MA also asked SIA to waive the sponsorship
20 fee that SIA normally charged to sponsors for the Mountain Visions
21 store. Levin Decl, Ex 11 (Travis Decl) at ¶ 8.

22 On January 25, 1995, SIA sent a letter to Lorence at MA
23 confirming the terms of their agreement. Travis Decl at ¶ 9-10, Ex
24 B. In the agreement, MA agreed to (1) provide the software and
25 hardware needed to host its kiosk system at the March 1995 trade
26 show and (2) work to add content describing the other sponsors'
27 products and services into the kiosk system -- at no charge to the
28 other sponsors. Travis Decl at ¶ 10, Ex B. SIA agreed to (1)

1 provide MA with one-third of the space in the "electronic
2 information center" in the Mountain Visions store and (2) waive the
3 \$10,000 sponsorship fee for MA that SIA normally charged for
4 exhibitors at the Mountain Vision store. Travis Decl ¶ 8, 10, Ex
5 B. On or about January 26, 1995, MA signed an exhibit space
6 contract and paid SIA \$2,430 for exhibiting fees. Burns Decl at ¶
7 5.

8 Pursuant to the agreement, MA demonstrated its kiosk
9 system product, SkiPath, in the Mountain Visions store at SIA's
10 March 3-7, 1995, trade show in Las Vegas. Id at ¶ 6. At the trade
11 show, MA set up, ran and dismantled its own kiosks. Id. MA never
12 gave the kiosks or software to SIA. Id. Burns stated that he
13 believed that this kiosk system displayed at SIA's 1995 trade show
14 embodied all the claims of the '137, '040, and '418 patents. Burns
15 Depo at 81:19-82:1.

16
17 B

18 The present litigation is not the first time Datamize and
19 Plumtree have met on the patent battlefield. The roots of the
20 present action between Datamize and Plumtree stem back to May 17,
21 2002. On that date, Datamize filed suit against Plumtree in the
22 United States Court for the District of Montana in Missoula
23 alleging infringement of the '137 patent (the "Montana action").
24 Mot Dis at 3. Ever the friendly combatant, on this same date
25 Datamize sent a letter to Plumtree informing it that:

26 Datamize believes that Plumtree is infringing
27 the '137 Patent by, among other things,
28 providing software enabling the operation of
portals and kiosks employing customization and
personalization features. We also believe that

1 Plumtree will infringe the claims in the
2 continuation patent application when it issues
3 as a patent [the later issued '040 patent].
4 From the prior communications, it does not
5 appear that Plumtree has appreciated the
6 implications of Datamize's patent rights.

7 Id at 1-2.

8 Datamize's letter further informed Plumtree of the
9 reasons behind the Montana action: "Because a direct assertion of
10 patent infringement could subject Datamize to a declaratory
11 judgment action by Plumtree in an inconvenient forum, [Datamize]
12 has proceeded to preserve its rights by filing the attached
13 Complaint in the United States District Court for the District of
14 Montana (Missoula Division) where Datamize is located." Doc #1
15 (Compl) Ex C at 2. To demonstrate further that Plumtree would soon
16 be infringing the '040 patent, Datamize also enclosed the thirty-
17 eight allowed claims later issued as the '040 patent on October 1,
18 2002. Id.

19 On November 23, 2002, Magistrate Judge Leif Erickson of
20 the district court in Missoula issued a report and recommendation
21 that the Montana action be dismissed for lack of personal
22 jurisdiction over Plumtree. Mot Dis at 3. In response to
23 Magistrate Judge Erickson's report and recommendation, on December
24 4, 2002, Plumtree filed suit in this court seeking a declaratory
25 judgment for non-infringement of the '137 patent ("DJ1"). Doc #1
26 (Compl) (VRW 02-05693). DJ1 was assigned to the undersigned.
27 Plumtree agreed to stay DJ1 pending a ruling by a Montana district
28 judge on the personal jurisdiction issue. Mot Dis at 3. On July
8, 2003, Judge Donald Molloy adopted Magistrate Judge Erickson's
findings and dismissed the Montana action for lack of personal

1 jurisdiction. Id. On August 7, 2003, Datamize filed a motion to
2 realign itself as plaintiff in DJ1. The court granted realignment
3 on October 6, 2003. Doc #32 (10/6/03 Order) at 8-9 (VRW 02-05693).

4 On September 3, 2003, Datamize filed a patent
5 infringement claim against nine online security brokerage firms in
6 the Eastern District of Texas, Marshall Division based on the '040
7 patent ("TX action"). Id at 4. On April 15, 2004, Datamize moved
8 to add additional infringement claims in the TX action based on the
9 '418 patent, which issued on December 2, 2003. Opp Dis at 3. The
10 judge in the TX action subsequently allowed Datamize to add these
11 additional claims. Id. Plumtree, however, is not a defendant in
12 the TX action. Mot Dis at 4.

13 On March 31, 2004, Plumtree filed a motion for summary
14 judgment in DJ1 claiming that the '137 patent was indefinite. Id.
15 On July 9, 2004, the court granted Plumtree's motion. Id. On
16 August 5, 2005, the Federal Circuit affirmed the court's grant of
17 summary judgment in favor of Plumtree. Doc #109 (VRW 02-05693).

18 On the same day that this court granted Plumtree's motion for
19 summary judgment in DJ1, Plumtree filed a new complaint seeking a
20 declaratory judgment of non-infringement of Datamize's '040 and
21 '418 patents ("DJ2"). Doc #1 (Compl). DJ2 is the action currently
22 before this court.

23 Datamize moves to dismiss DJ2 pursuant to FRCP 12(b)(1).
24 Mot Dis at 1. Plumtree moves for summary judgement in DJ2 on the
25 ground that the '040 and '418 patents are invalid under the on-sale
26 bar, 35 USC § 102(b). MSJ at 1.

27 //

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II

The court must first address Datamize's motion to dismiss DJ2 for lack of subject matter jurisdiction. See Ruhrigas Ag v Marathon Oil Co, 526 US 574, 578 (1999) ("Customarily, a federal court first resolves doubt about its jurisdiction over the subject matter * * *").

The Constitution limits the exercise of judicial power to "cases" and "controversies." Aetna Life Insurance Co of Hartford, Conn v Haworth, 300 US 227, 239 (1937). The Declaratory Judgment Act of 1934 ("DJA"), 28 USC § 2201, provides in relevant part:

In a case of actual controversy within its jurisdiction * * * any court of the United States, upon the filing of an appropriate pleading, may declare the rights and other legal relations of any interested party seeking such declaration, whether or not further relief is or could be sought. Any such declaration shall have the force and effect of a final judgment or decree and shall be reviewable as such.

28 USC § 2201(a).

"In the declaratory judgment context, the question in each case is whether the facts alleged, under all of the circumstances show that there is a substantial controversy, between parties having adverse legal interests, of sufficient immediacy and reality to warrant the issuance of a declaratory judgment." Sierra Applied Sciences, Inc v Advanced Energy Industries, Inc, 363 F3d 1361, 1372 (Fed Cir 2004) (hereinafter "Sierra Applied").

Federal Circuit law governs whether a case or controversy exists for declaratory judgment actions based on patent law. Shell Oil Co v Amoco Corp, 970 F2d 885, 888 n4 (Fed Cir 1992). The

1 Federal Circuit has developed a two-part test to determine whether
2 a case or controversy exists under the DJA. For a district court
3 to have jurisdiction over a patent declaratory judgment matter,
4 "[t]here must be both (1) an explicit threat or other action by the
5 patentee, which creates a reasonable apprehension on the part of
6 the declaratory plaintiff that it will face an infringement suit,
7 and (2) present activity which could constitute infringement or
8 concrete steps taken with the intent to conduct such activity."
9 Sierra Applied Sciences, 363 F3d at 1373 (quoting BP Chemicals, Ltd
10 v Union Carbide Corp, 4 F3d 975, 978 (Fed Cir 1993)).

11 When there is an express charge of infringement, an
12 actual controversy exists and the Federal Circuit has found the
13 first prong satisfied. See Arrowhead Industrial Water, Inc v
14 Ecolochem, Inc, 846 F2d 731, 736 (Fed Cir 1988). In the absence of
15 an express charge of infringement, courts make "[a]n examination of
16 the totality of the circumstances * * * to determine whether there
17 is a controversy." Vanguard Research, Inc v PEAT, Inc, 304 F3d
18 1249, 1254-55 (Fed Cir 2002); Arrowhead, 846 F2d at 736 ("When the
19 defendant's conduct, including its statements, falls short of an
20 express charge, one must consider the 'totality of the
21 circumstances' in determining whether that conduct meets the first
22 prong of the test.").

23 "To constitute an actual controversy, the plaintiff has
24 the burden of establishing by a preponderance of the evidence * * *
25 that it has a reasonable apprehension that it will be sued. The
26 test is an objective one * * *." Shell Oil Co, 970 F2d at 887-88.
27 If the defendant, through a FRCP 12(b)(1) motion, "denies or
28 controverts [plaintiff's] allegations of jurisdiction, * * * the

1 movant is deemed to be challenging the factual basis for the
2 court's subject matter jurisdiction." Cedars-Sinai Medical Center
3 v Watkins, 11 F3d 1573, 1583 (Fed Cir 1993):

4
5 In such a case, the allegations in the
6 complaint are not controlling * * * and only
7 uncontroverted factual allegations are accepted
8 as true for purposes of the motion * * *. In
9 establishing the predicate jurisdictional
10 facts, a court is not restricted to the face of
11 the pleadings, but may review evidence
12 extrinsic to the pleadings, including
13 affidavits and deposition testimony.

14 Id at 1583-84.

15 Datamize only discusses the first prong in its motion to
16 dismiss, Doc #13, and thus it appears that the second prong of the
17 Sierra Applied test -- that Plumtree sells allegedly infringing
18 software -- is not in dispute. Accordingly, in determining whether
19 the jurisdiction requirements of the DJA are met, the court need
20 only address the first prong of the Sierra Applied test.

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III

The first prong of the Sierra Applied test requires "an
explicit threat or other action by the patentee, which creates a
reasonable apprehension on the part of the declaratory plaintiff
that it will face an infringement suit." Sierra Applied, 363 F3d
at 1373 (emphasis added). Datamize presents two primary arguments
why this prong is not satisfied in DJ2. First, Datamize contends
that its May 17, 2002, letter to Plumtree and the separate TX
action do not constitute an explicit threat causing reasonable
apprehension of a future infringement suit involving either the
'040 or '418 patent. Mot Dis at 6-8. Second, Datamize asserts

1 that the passage of time between the filing of DJ1 and DJ2
2 demonstrates that Plumtree was not motivated by an "objectively
3 reasonable apprehension of suit." Id at 6-7. In the alternative,
4 Datamize argues that even if the court were to find that subject
5 matter jurisdiction exists, the court should decline to exercise
6 jurisdiction because Plumtree is using the DJA "as a tool to gain
7 [an] * * * improper procedural advantage." Id at 9.

8 The court addresses each argument, and why it fails to
9 persuade, in turn.

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11 1

12 Datamize asserts that the May 17, 2002, letter and the TX
13 action are insufficient to constitute an "explicit threat" of an
14 infringement suit on the '040 and '418 patents. The court
15 addresses each patent separately.

16
17 The '040 Patent

18 As to the '040 patent, Datamize admits that the May 17,
19 2002, letter "notifying Plumtree that Datamize had filed suit on
20 the '137 Patent also happened to mention, among other things,
21 potential infringement of the yet to be issued '040 Patent." Id at
22 6. But, Damatize asserts, "that letter does not provide a basis
23 for this action [DJ2]" because it was not an "act [] threatening
24 suit." Id. Datamize cites Shell Oil and Phillips Plastics Corp v
25 Kato Hatsujou Kabushiki Kaisha, 57 F3d 1051 (Fed Cir 1995), in
26 support of its argument.

27 In Shell Oil, in anticipation of commercializing its
28 catalysts, Shell Oil ("Shell") proposed an agreement, in which

1 Amoco would agree not to assert its patent against Shell's
2 catalysts and Shell would pay \$100,000 for a paid-up license.
3 Shell Oil, 970 F2d at 886. After failed counter-offers, Amoco
4 wrote to Shell: "It is our understanding from our previous
5 discussion that the catalyst falling within the Amoco patent would
6 be used in [Shell's plants]." Id (emphasis added). When Shell
7 filed a declaratory judgment action, the court found no reasonable
8 apprehension: "[A] statement that Shell's activities 'fall within'
9 Amoco's claims in the context of the parties' licensing
10 negotiations can hardly be considered an express charge of
11 infringement." Id at 888.

12 In Phillips Plastics, Kato Hatsujou KK ("Kato") contacted
13 Phillips Plastics ("Phillips"), stating that certain fasteners made
14 by Phillips were "covered by" Kato's patent and inviting Phillips
15 to take a license under the patent. 57 F3d 1052. When Kato
16 reissued its patent five years later, it wrote again to Phillips
17 offering a license and enclosing a copy of the reissued patent.
18 Id. Instead of responding to Kato's request to put together a
19 licensing agreement, Phillips filed a declaratory judgment action.
20 The court held no reasonable apprehension despite Kato's offers of
21 a patent license and statements that Phillips's fasteners "were
22 covered by" the claims of the patent. Id at 1053-54.

23 The threat of legal action in the present case is far
24 stronger than the threats in Shell Oil and Phillips Plastics. In
25 Shell Oil, patent holder Amoco only mentioned that Shell's
26 activities might "fall within" Amoco's patent claims when the two
27 companies began negotiating a license. 970 F2d at 889. The court
28 held: "It is possible that, even after the conversations reached an

1 impasse, Amoco might never have sued, either because the validity
2 of its patent was doubtful or its infringement argument was too
3 weak. In fact, if Shell had never approached Amoco, Amoco might
4 never have considered any action against Shell." Id.

5 Similarly, in Phillips Plastics, patentee Kato merely
6 invited Phillips to take a license under its patent after informing
7 Phillips that certain products of theirs were "covered by" Kato's
8 patent. 57 F3d at 1051. In neither of these cases did the
9 patentee accompany its statement of potential infringement with (1)
10 a suit of a parent patent or (2) a statement regarding a specific
11 forum for infringement litigation.

12 Accordingly, the court concludes that Datamize's May 17,
13 2002, letter represented an "explicit threat or other action" that
14 would cause reasonable apprehension of an infringement suit on the
15 '040 patent. Datamize is correct in asserting that the letter only
16 expressly stated its "belief" that Plumtree would infringe its
17 soon-to-be-issued '040 patent. Compl, Ex C at 1 ("We also believe
18 that Plumtree will infringe the claims in the continuation patent
19 application when it issues as a patent [the later issued '040
20 patent]"). The remaining language of the letter, however,
21 demonstrates an explicit threat. Datamize wrote further: "From
22 the prior communications, it does not appear that Plumtree has
23 appreciated the implications of Datamize's patent rights." Id at
24 1-2. To clarify these "implications," Datamize included a copy of
25 the thirty-eight additional claims issued later as the '040 patent.
26 Id at 1.

27 More importantly, Datamize made clear that it was willing
28 to file suit to settle alleged infringement: "Because a direct

1 assertion of patent infringement could subject Datamize to a
2 declaratory judgment action by Plumtree in an inconvenient forum,
3 [Datamize] has proceeded to preserve its rights by filing the
4 attached Complaint [regarding the '137 patent] in the United States
5 District Court for the District of Montana (Missoula Division)
6 where Datamize is located." Id at 2. This statement demonstrated
7 that Datamize's decision to file suit was motivated not only by
8 Plumtree's alleged infringement, but also by its intent to ensure
9 litigation in its preferred forum.

10
11 The '418 Patent

12 Regarding the '418 patent, Datamize argues that "Plumtree
13 cannot bootstrap the May 17, 2002, letter into subject matter
14 jurisdiction over the '418 Patent." Id at 7. Datamize insists
15 that its statement that "[w]e also believe that Plumtree will
16 infringe the claims in the continuation patent application when it
17 issues as a patent" referenced only the yet-to-be-issued '040
18 patent, not the '418 patent. Id. Datamize states further: "In
19 fact, the patent application that eventually issued as the '418
20 patent had not even been filed at the time of the letter." Id.

21 The court agrees with Datamize that the May 17, 2002,
22 letter had "absolutely nothing to do with the '418 patent." Mot
23 Dis at 7. But this fact is of little moment, for even if a
24 defendant does not "expressly charge" the plaintiff with
25 infringement, "if the circumstances warrant, a reasonable
26 apprehension may be found in the absence of any communication from
27 defendant to plaintiff." Arrowhead, 846 F2d at 736. In Goodyear
28 Tire & Rubber Co v Releasomers Inc, 824 F2d 953, 956 (Fed Cir

1 1987), the Federal Circuit similarly stated that "we cannot read
2 the Declaratory Judgment Act so narrowly as to require that a party
3 actually be confronted with an express threat of litigation to meet
4 the requirements of an actual case or controversy."

5 Applying the totality of the circumstances approach
6 required by the Federal Circuit, the court concludes that Plumtree
7 had a "reasonable apprehension" that it was going to face an
8 infringement suit from Datamize regarding the '418 patent. First,
9 Datamize had already sued Plumtree on the '137 patent. As the
10 parent patent to '040 and '418, the '137 patent shares the
11 identical specification. Opp Dis at 9. In Goodyear, the Federal
12 Circuit held that a prior infringement suit between two parties was
13 relevant to determining reasonable apprehension under the DJA: "By
14 suing [] in state court for the same technology as is now covered
15 by the patents, [plaintiff, patentee] has engaged in a course of
16 conduct that shows a willingness to protect that technology." 824
17 F2d at 956.

18 Next, the TX action added to Plumtree's "reasonable
19 apprehension." Although this suit was initially based solely on
20 the '040 patent, Datamize successfully sought to have the '418
21 patent added four months after the '418 patent was issued. Doc #29
22 (Volk Decl), Ex A. In its motion to amend to add the '418 patent
23 in the TX action, Datamize stated that "it would be highly
24 surprising if Defendants' counsel had not specifically considered
25 the possibility that Datamize would add the '418 Patent to this
26 case." Id at 3 (emphasis in original). Hence, Plumtree recognized
27 the strong likelihood that a suit regarding the '040 patent would
28 later include the similar '418 patent.

1 at 6. First, Datamize states that Plumtree knew about the '040
2 patent (issued on October 1, 2002) for almost two years and the
3 '418 patent (issued on Dec 2, 2003) for approximately eight months
4 before filing DJ2 on July 9, 2004. Despite this knowledge,
5 Plumtree did not seek to add either of these patents to DJ1 (filed
6 on December 4, 2002 and decided on July 9, 2004). Id.

7 Furthermore, Datamize argues that its threatening letter
8 "was sent on May 17, 2002, over two years before Plumtree ever
9 filed its emergency declaratory judgment action." Id. Datamize
10 states that "if that letter had truly created an objectively
11 reasonable apprehension of suit on the '040, Plumtree would have
12 included the '040 Patent in Plumtree DJ1, as opposed to filing
13 [DJ2] approximately two years later." Id at 7. Based on this
14 chronology, Datamize insists that in filing DJ2, Plumtree had at
15 most a "nervous state of mind of a possible infringer," which under
16 Federal Circuit precedent is insufficient to meet the "reasonable
17 apprehension of suit test." Id at 8 (citing Phillips Plastics
18 Corp, 57 F3d at 1053). The court finds this argument unpersuasive.

19 First, the Sierra Applied test is an objective one, not
20 subjective. See Shell Oil Co, 970 F2d at 887-88. Next, although
21 Datamize is correct that DJ2 (filed on July 9, 2004) could have
22 been filed earlier, Datamize offers no precedent requiring Plumtree
23 to do so.

24 Indeed, one court has rejected the temporal argument put
25 forward by Datamize. In Hakuto Co v Emhart Industries, Inc, 1989
26 WL 24118, *3 (ND Ill 1989), the court concluded that letters
27 alleging infringement sent three years prior to a declaratory
28 judgment action were "sufficient to create a reasonable

1 apprehension of [patentee's] intent to bring suit to enforce its
2 patent." Despite the patentee's contention that the letters were
3 "old news," the court found jurisdiction under the DJA because
4 "there [wa]s nothing to indicate that [patentee's] intent ha[d]
5 changed between the date [alleged infringer] received the letters
6 and the date it filed the complaint." Id. Similarly there is no
7 evidence in the present case indicating that Datamize's intention
8 to pursue litigation over alleged infringements of its '040 and
9 '418 has changed. For these reasons, the court holds that
10 Plumtree's apprehension and its filing of DJ2 were reasonable.

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13 Finally, Datamize argues that even if the court finds
14 subject matter jurisdiction over DJ2, the court should decline to
15 exercise its jurisdiction because Plumtree is "openly us[ing] the
16 resources of the judicial system as a tool to gain some improper
17 procedural advantage." Mot Dis at 9. Specifically, Datamize
18 asserts that DJ2 is an attempt by Plumtree to gain a "strategic
19 advantage" through "forum shopping." Id at 6. Datamize emphasizes
20 that Plumtree filed DJ2 in this court "just hours" after this court
21 granted summary judgment in DJ1 on July 9, 2004. Id. Datamize
22 states: "It would therefore seem that Plumtree took a calculated
23 risk in filing [] DJ2 in yet another attempt to procure what it
24 perceived as some kind of strategic advantage over Datamize." Id.
25 The court is unconvinced.

26 Datamize provides the court with no explanation regarding
27 what Plumtree's purported "strategic advantage" is; it offers only
28 bald conclusions. Moreover, Datamize has no business accusing

1 Plumtree of forum-shopping, as Datamize has twice stated its
2 intention to obtain its own preferred forum -- in Missoula, Montana
3 and Marshall, Texas, respectively. See May 17, 2002, letter (Doc
4 #1, Ex C) and August 12, 2004, letter (Volk Decl at ¶ 4, Ex C).

5 Having established subject matter jurisdiction, the court
6 next addresses Plumtree's motion for summary judgment.

7
8 IV

9 35 USC § 102(b) provides: "A person shall be entitled to
10 a patent unless * * * the invention was * * * in public use or on
11 sale in this country, more than one year prior to the date of the
12 application for patent in the United States * * *." The date
13 exactly one year prior to the date of the patent application is
14 known as the "critical date." Scaltech, Inc v Retec/Tetra, LLC,
15 269 F3d 1321, 1327 (Fed Cir 2001). The on-sale bar applies when
16 two conditions are satisfied prior to the critical date: (1) the
17 product was the subject of "a commercial offer for sale" and (2)
18 the invention was "ready for patenting" during this offer for sale.
19 Pfaff v Wells Electronics, Inc, 525 US 55, 67 (1998). If the above
20 two conditions are met, the court must then determine whether the
21 product offered for sale embodies the claims of the patent. See
22 Scaltech, 269 F3d at 1329.

23 Plumtree argues that the '040 and '418 patents are
24 invalid under the on-sale bar. MSJ at 8-12. First, Plumtree
25 asserts that Datamize's claimed inventions of the '040 and '418
26 patents satisfy the second prong of the Pfaff test because the
27 inventions were ready for patenting prior to the critical date.
28 MSJ at 8-9. Datamize does not dispute this contention, MSJ Opp at

1 6; thus, the court need only address the first prong of the Pfaff
2 test. Regarding the first prong, Plumtree argues (1) that
3 Datamize's participation in SIA's trade show represented an offer
4 for sale of the claimed inventions of the '040 and '418 patents,
5 Id at 10, and (2) that Datamize has "already admitted that the
6 subject matter of the agreement with SIA embodied all of the claims
7 of the '040 and '418 patents." Id at 12.

8 Datamize opposes Plumtree's arguments as to the first
9 prong of Pfaff. MSJ Opp at 6-13. Specifically, Datamize contends
10 that the purchase of space in SIA's trade show did not constitute
11 "a commercial offer for sale." Id at 7-12. Next, Datamize asserts
12 that Plumtree has not presented "clear and convincing evidence"
13 that the subject of the alleged offer for sale meets every
14 limitation of the claims of the '040 and '418 patents. Id at 6.
15 Alternatively, Damatize asserts that Plumtree's motion for summary
16 judgment is "premature" because Datamize's motion to dismiss has
17 not yet been ruled on and "Plumtree filed its motion before any
18 discovery has occurred in this case." Id at 13. The court
19 addresses these arguments in turn.

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21 1

22 "Only an offer which rises to the level of a commercial
23 offer for sale, one which the other party could make into a binding
24 contract by simple acceptance (assuming consideration), constitutes
25 an offer for sale under § 102(b)." Scaltech, 269 F3d at 1328
26 (citation omitted). An offer for sale does not, however, have to
27 be accepted to implicate the on-sale bar. Id. "To determine if
28 the offer is sufficiently definite, one must examine the language

1 of a proposal in accordance with the principles of general contract
2 law." Id (citation omitted). The Uniform Commercial Code ("UCC")
3 is an "important relevant source of general contract law * * *."
4 Id.

5 In the instant case, the court concludes that Datamize's
6 presentation at SIA's trade show constituted a "commercial offer
7 for sale" under § 102(b). First, MA's meeting with SIA on January
8 17, 1995 and subsequent agreement on January 25, 1995, both
9 occurred before the critical date: February 27, 1995. At the
10 January 17, 1995, meeting, "MA offered to provide its interactive
11 electronic kiosk system during the March 1995 trade show, and to
12 commit its development resources to include content from SIA
13 manufacturers and sponsors, and to present that content using MA's
14 technology during the show." Travis Decl at ¶ 8.

15 Following the meeting, SIA accepted MA's offer and in
16 return "provide[d] MA with a prime location in the Mountain Visions
17 store for it to present its kiosk system and to waiver the fee
18 normally charged to primary sponsors participating in Mountain
19 Visions." Id at ¶ 8-9. This agreement constitutes an "offer for
20 sale," which SIA "ma[de] into a binding contract with simple
21 acceptance." See Scaltech, 269 F3d at 1328. In addition, Datamize
22 received consideration: MA was granted a "prime location" and its
23 fee was waived in exchange for the display of MA's kiosk.

24 But Datamize asserts that this agreement was not a
25 "commercial offer for sale" because there was "no transfer of title
26 to, lease or license of any software or other intellectual
27 property." MSJ Opp at 7. Datamize states that "the activity which
28 Plumtree relies on is the mere negotiation between two parties for

1 the right to floor space at a trade show." Id. Datamize cites UCC
2 § 2-106 (defining "sale" as "passing title from the seller to the
3 buyer for a price") and UCC § 2A-103 (defining lease as "a transfer
4 of the right of possession and use of goods for term in return for
5 consideration") as support for its argument. Id at 8. According
6 to Datamize, "MA never sold anything to SIA * * *. At no time did
7 MA ever grant SIA any title or right to control what was being
8 exhibited at the trade show." Id at 7-8.

9 Datamize's argument is flawed. In essence, Datamize
10 fails to recognize the distinction between "tangible item" (or
11 "apparatus") claims and "process" (or "method") claims. In In re
12 Kollar, the Federal Circuit held that "a tangible item is on sale
13 when * * * the transaction rises to the level of a commercial offer
14 for sale under the Uniform Commercial Code * * *. When money
15 changes hands as a result of a transfer of title to the tangible
16 item, a sale normally has occurred." 286 F3d 1326, 1332 (Fed Cir
17 2002). In contrast, "a process * * * consists of acts, rather than
18 a tangible item. It consists of doing something, and therefore has
19 to be carried out or performed. A process is thus not sold in the
20 same sense as a tangible item." Id.

21 Scaltech provides a vivid example of this distinction.
22 Prior to the critical date, the patentee in Scaltech had contacted
23 two third parties and offered to perform its claimed process for
24 treating oil refinery waste. 269 F3d at 1326. The Federal Circuit
25 held:

26 [W]e think the fact that the process itself was
27 not offered for sale but only offered to be
28 used by the patentee to process waste does not
take it outside the on sale bar rule. The on
sale bar rule applies to the sale of an

1 "invention," and in this case, the invention
2 was a process * * *. As a result, the process
3 involved in this case is subject to § 102(b).
4 In this case, commercial exploitation was
5 involved. Accordingly, the on sale bar rule is
6 implicated.

7 Id at 1328.

8 Citing Scaltech, the Kollar court held that "[a]ctually
9 performing the process itself for consideration would similarly
10 trigger the application of § 102(b)." In re Kollar, 286 F3d at
11 1333.

12 Applying these principles, it is clear the on-sale bar is
13 triggered by the facts of this case. Kevin Burns described the
14 interactive electronic kiosk system that MA presented at SIA's
15 March 1995 trade show as "a method used to build interface screens
16 for a kiosk or computer system." Burns Decl ¶ 3 (emphasis added).
17 In its agreement with SIA, MA agreed to (1) provide the
18 software/hardware package necessary to produce the interactive
19 touch-screen information center; (2) provide multiple copies of
20 this software/hardware package; (3) work to put other product
21 sponsors on the interactive system at no charge to these companies;
22 (4) provide looped advertising/entertainment videos for the
23 overhead monitors; and (5) exhibit within the trade show. Travis
24 Decl at ¶ 10. These acts constitute an agreement to "perform" a
25 method claim. Accordingly, MA's agreement with SIA to take part in
26 the March 1995 trade show constituted a "commercial offer for
27 sale."

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2 Having found a "commercial offer for sale," the court
3 addresses whether the subject matter of the agreement with SIA
4 embodied all of the claims of the '040 and '418 patents. This
5 inquiry will not detain the court long, for Kevin Burns has
6 testified repeatedly that the kiosk at the trade show embodied all
7 of the claims. In his June 2004 deposition, Burns testified that
8 the authoring tool he built in December 1994 "embodied all the
9 claims of all three of Datamize's patents ['137, '040 and '418]."
10 Levin Decl, Ex 3 at 83: 11-15. Burns testified further that this
11 tool was used to create the SkiPath product that was demonstrated
12 in March 1995 at the SIA trade show. Id at 83: 16-19. At two
13 other points in his deposition Burns made clear that the system
14 that he demonstrated at the trade show embodied all of the claims
15 of the '040 and '418 patents. Id at 81:19-82:1; 84:15-18.

16 Seven months later, and facing Plumtree's current motion
17 for summary judgment, Burns filed a declaration contradicting his
18 deposition testimony. Burns Decl at ¶ 8. Specifically, Burns now
19 states:

20 I have determined that the version of SkiPath
21 demonstrated at the trade show did not practice
22 every claim of those patents. * * * My careful
23 review of the patents and the Skipath product
24 demonstrated at the SIA trade show leads me to
the conclusions that SkiPath did not practice
[18 claims] of the '040 patent or [14 claims]
of the '418 patent.

25 Id.

26 Burns offers no explanation for the change in his position.

27 This court has held that parties cannot use such
28 declarations to defeat summary judgment. See Martinez v Marin

1 its motion more than three months after commencing DJ2, its motion
2 is timely.

3 Whether to allow further discovery under Rule 56(f) is a
4 subject committed to the district court's discretion. Nidds v
5 Schindler Elevator Corp, 113 F3d 912, 920 (9th Cir 1996). The
6 party seeking a Rule 56(f) continuance must demonstrate that: (1)
7 it has set forth in affidavit form the specific facts that it hopes
8 to elicit from further discovery; (2) the facts sought actually
9 exist; and (3) these sought-after facts are essential to resist the
10 summary judgment motion. California v Campbell, 138 F3d 772, 779
11 (9th Cir 1998).

12 Datamize has fulfilled none of the Campbell requirements.
13 Although Datamize contends that the deposition of Jim Lorence "was
14 adjourned before Datamize even had the opportunity to ask any
15 questions," Datamize does not (1) set forth any specific facts that
16 it hopes to discover by deposing Lorence or (2) why these facts are
17 essential to raise a genuine issue of material fact. MSJ Opp at
18 13. Accordingly, the court DENIES Datamize's Rule 56(f) request to
19 postpone Plumtree's motion for summary judgment.

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IV

For the foregoing reasons, the court DENIES Datamize's motion to dismiss (Doc #13), DENIES Datamize's FRCP 56(f) application and GRANTS Plumtree's motion for summary judgment (Doc #8). The clerk is directed to ENTER JUDGMENT for Plumtree, TERMINATE all motions and CLOSE the file.

IT IS SO ORDERED.



VAUGHN R WALKER

United States District Chief Judge