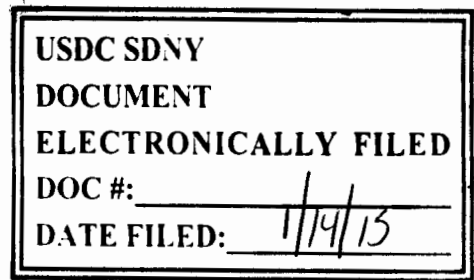


UNITED STATES DISTRICT COURT  
SOUTHERN DISTRICT OF NEW YORK



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STANACARD, LLC,

Plaintiff,

-against-

12 Civ. 5176 (CM)

RUBARD, LLC ET AL.,

Defendants.

\_\_\_\_\_ x

MEMORANDUM DECISION AND ORDER DENYING DEFENDANTS'  
MOTION FOR SUMMARY JUDGMENT

McMahon, J.:

In this patent infringement case, the Court's claim construction decision (Docket #44) was followed almost immediately by a motion for summary judgment, made by Defendants on the ground of obviousness.

The motion, in essence, charges that every salient feature save one of the claims in suit under U.S. Patent No. 7,346,156 (the '156 patent, which is the patent-in-suit) is disclosed either in U.S. Patent No. 6,324,265 (the '263 Patent) or in the '263 Patent read in combination with U.S. Patent No. 4,310,726 (the '726 patent), both of which qualify as prior art, since they issued more than one year before the earliest priority date of the patent-in-suit.

*Legal standard on a motion for summary judgment*

A party is entitled to summary judgment when there is no "genuine dispute as to any material fact" and the undisputed facts warrant judgment for the moving party as a matter of law. FED. R. CIV. P. 56; *Anderson v. Liberty Lobby, Inc.*, 477 U.S. 242, 248 (1986). On a motion for summary judgment, the Court must view the record in the light most favorable to the nonmoving party and draw all reasonable inferences in his or her favor. *Matsushita Elec. Indus. Co. v. Zenith Radio Corp.*, 475 U.S. 574, 587 (1986).

Whether any disputed issue of material fact exists is for the Court to determine. *Balderman v. U.S. Veterans Admin.*, 870 F.2d 57, 60 (2d Cir. 1989). The moving party has the initial burden of demonstrating the absence of a disputed issue of material fact. *Celotex v. Catrett*, 477 U.S. 317, 323 (1986).

Once the motion for summary judgment is properly made, the burden shifts to the non-moving party, who “must set forth specific facts showing that there is a genuine issue for trial.” *Anderson*, 477 U.S. at 250. The nonmovant “may not rely on conclusory allegations or unsubstantiated speculation,” *Scotto v. Almenas*, 143 F.3d 105, 114 (2d Cir. 1998), but must support the existence of an alleged dispute with specific citation to the record materials. FED. R. CIV. P. 56(c).

While the Court must view the record “in the light most favorable to the nonmoving party,” *Leberman v. John Blair & Co.*, 880 F.2d 1555, 1559 (2d Cir. 1989) (internal quotation marks and citation omitted), and “resolve all ambiguities and draw all reasonable inferences in favor of the party against whom summary judgment is sought,” *Heyman v. Commerce & Indus. Ins. Co.*, 524 F.2d 1317, 1320 (2d Cir. 1975) (citation omitted), the non-moving party nevertheless “must do more than simply show that there is some metaphysical doubt as to the material facts.” *Matsushita Elec.*, 475 U.S. at 586 (citations omitted). Not every disputed factual issue is material in light of the substantive law that governs the case. “Only disputes over facts that might affect the outcome of the suit under the governing law will properly preclude the entry of summary judgment.” *Anderson*, 477 U.S. at 248.

*Legal standard on a motion for summary judgment on the ground of obviousness*

Each patent issued and all claims contained therein are presumed valid, 35 U.S.C. §282, and an accused infringer has the burden of proving that each asserted claim of a patent is invalid. *Martek Biosciences Corp. v. Nutrinova, Inc.*, 579 F.3d 1363, 1378 (Fed. Cir. 2009). Only clear and convincing evidence can overcome the presumption of validity. *National Presto Indus., Inc. v. W. Bend Co.*, 76 F.3d 1185, 1189 (Fed. Cir. 1996) (applying clear and convincing evidence standard on a motion for summary judgment).

To establish invalidity under 35 U.S.C. §103, defendants must prove by clear and convincing evidence that prior art discloses, teaches or suggests that the claimed invention as a whole would have been obvious at the time the invention was made to a person having ordinary skill in the relevant art. *See, e.g., KSR Int’l Co. v. Teleflex, Inc.*, 550 U.S. 398 (2007).

Obviousness is a question of law, but it is based on underlying findings of fact, *Perfect Web Techs., Inc. v. InfoUSA, Inc.*, 587 F.3d 1324, 1327 (Fed. Cir. 2009), so the existence of genuine issues of material fact will preclude summary judgment. The four underlying material factual issues related to obviousness are: (1) the scope and content of the prior art; (2) the differences between the prior art and the claims at issue; (3) the level of ordinary skill in the pertinent art; and (4) secondary considerations of non-obviousness. *KSR*, 550 U.S. at 406. Secondary considerations include the commercial success of the invention, whether the invention solved a long felt but unresolved need in the art, whether others copied the invention, and whether others made the same invention at or about the same time. *Ruiz v. A.B. Chance Co.*, 234 F.3d 654, 662-63, 667 (Fed. Cir. 2000); *Geo. M. Martin Co. v. Alliance Mach. Sys. Int’l LLC*, 618 F.3d 1294, 1305 (Fed. Cir. 2010).

On the record before this Court, there are disputed issues of material fact as to the differences between the patent-in-suit and the prior art and the level of ordinary skill in the pertinent art. Thus, Defendants' motion for summary judgment is denied.

*The patent-in-suit*

The '156 patent, as the Court observed in its *Markman* decision (and as Judges Sweet and Ware noted in their earlier *Markman* decisions), relates to a system for simplifying and reducing the cost of making long distance and international calls. (*Markman* Decision at 2, citing *Stanacard, LLC v. Rebtel Networks, AB*, 680 F. Supp. 2d 483, 487 (S.D.N.Y. 2010)). To quote the plaintiff's expert, Michael Iacovelli: "The '156 patent describes an end-user-based method enabling a telecommunications firm to provide profitably an unlimited number of customers – in concept, the whole world – with a local number [local to the end user, that is] for an unlimited number of international contacts, with the cost of calls made via those local number significantly discounted by comparison with placing direct calls." (Iacovelli Decl. at ¶7).

The system works as follows: a telephone service provider or prepaid calling service assigns to its customer (the "end user") a unique ten digit telephone number, which the caller can dial from his personal telephone (presumably a land line or a cellular device) in order to reach a designated recipient. The caller associates that number ("the assigned incoming telephone number") with a particular, specified recipient (the "recipient telephone number," which is my term, not a patent term). When the customer dials those ten digits – no more – from his personal telephone, he is connected to the person whose number he has previously designated as the "recipient telephone number," without the need to enter a PIN or any additional information.

For example, supposed I am the end user. My service provider assigns me the number 555-222-1234; I tell the service provider that, when I dial those digits, I want to be connected to my best friend (the recipient), who lives in Ohio, and whose telephone number is 614-555-1213. By dialing the assigned incoming telephone number (555-222-1234) from my personal telephone number (987-654-3210) – which number is recognized via some unclaimed but well-known device like Caller ID – the call is routed directly to my best friend's home telephone number (614-555-1213). I need not input any additional information in order to get the call routed to its intended recipient.

If my best friend lived in Iceland rather than Ohio, the target telephone number would include a country and city code, but the system would work exactly the same way: when I dial 555-222-1234 from my phone number (987-654-3210), I am connected to my best friend's phone in a foreign country.

The invention only works when the end user dials the assigned incoming telephone number from his own telephone. If he dials from his office phone, or from his next door neighbor's phone, he will not be connected to the recipient telephone number, because the phone number of the device from which the call is being made will not be recognized as correlated with



both the assigned incoming telephone number and a particular, pre-designated recipient telephone number.

The service provider can assign the same incoming telephone number (555-222-1234) to thousands of different customers, each of whom can specify a different person who should receive a call if he dials those ten digits from his phone. If I dial that assigned incoming telephone number from my phone I will be connected with my best friend; if my law clerk dials the same number from her cell phone, she will be connected with her brother; and so on. It is the combination of the caller's telephone number (recognized by Caller ID) and the number the caller dials (the assigned incoming telephone number) that gets the call routed to the correct recipient. The ability to use the same assigned incoming telephone number over and over keeps down the cost of providing the service, and allows the customer to make long distance and international calls at substantially reduced rates.

However, the end user needs a different assigned incoming telephone number for each recipient he wishes to call. I could not dial 555-222-1234 and be connected both to my best friend and to my sister; if I want to dial my sister, I need a second assigned incoming telephone number, which correlates with her and her alone. Put otherwise: the invention contemplates that each end user assigns one incoming telephone number to each recipient.

According to Mr. Iacovelli's testimony, the telecommunication system disclosed by the '156 patent ". . . completely changed the calling paradigm of prepaid telecommunications by, among other things, eliminating the PIN entry as a prerequisite to placing an international telephone call and thereby solving – creatively – the major handicap of every calling card." (*Id.* at ¶29). Observing that persons (including himself) had been trying to design a less expensive and more convenient method of plain international telephone calls for "many years," Iacovelli opined that, "The idea behind the '156 patent – combining the customer's telephone number and the dialed local access number into a unique 20-digit combination – is elegant, simple, beautiful but by no means obvious; none of us working in this field came up with the method set forth in the '156 patent, and not for the lack of trying." (*Id.* at ¶30). Mr. Iacovelli also testified that, "The method disclosed by the '156 patent made an immediate and loud splash in the market place of prepaid telecommunications and garnered a market share away from others." (*Id.* at ¶32). Stanacard places great store by this and other evidence of secondary considerations, including the fact that other enterprises tried to copy the invention and ended up settling copyright infringement lawsuits for licenses.

*The conflicting expert testimony raises genuine issues of material fact as to obviousness*

The Defendants argue that the '156 patent should be voided for obviousness principally in view of the '263 patent, which pre-dates it by several years.<sup>1</sup>

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<sup>1</sup> I do not intend in this opinion to deal with the '726 patent, which routes 911 calls from wherever made to the nearest police department or emergency services unit, as discussing that

The '263 patent was addressed to a different commercial problem – the desire to relieve the call routing burden on telephone operators/receptionists, rather than the desire to find a cheaper way to place a long distance or international call – but it is a software-based call routing system that does not require additional input of PINs and the like by a caller, and it shares a number of features with the '156 patent.

The '263 patent discloses a telephone system that automatically routes calls made to a main or central telephone number to various extensions associated with that main telephone number. For example, if I were to dial the main number at my old law firm, a human being would answer the phone and then route my call to the one person, among the hundreds of people who work there, whom I wanted to reach. Each of those people has his or her own direct dial extension, and I could call my intended recipient's individual extension directly if I remembered what it was; but I frequently don't, so I dial the one number I do remember – the main number – and go through the modern equivalent of the switchboard in order to get to my the intended recipient of my call.

The '263 patent eliminates the switchboard. It works by using a database known as a "routing table," which collects and stores information about recurrent calls made to the main telephone number, including specifically who gets called, and how frequently, from any particular calling telephone number (again, identified by something as simple as Caller ID). After a caller has made enough calls to the main number, and been routed to the intended recipients of his several calls, the routing table can figure out who the person dialing from that particular number is likely to want to speak to, and will then automatically direct subsequent calls to that extension whenever that caller dials the main number.

The invention works just fine as long as the caller only wants to reach one person at the target organization. But if the caller needs to speak with more than one person within a single organization, the system disclosed by the '263 patent does not guarantee that the caller will end up speaking to the person she really wants to dial – unlike the '156 patent, which always connects the caller to the intended recipient of the call. To return to the example of my old law firm: when my husband called the firm's main number during the years I worked there, he was most likely calling for me, but not always; other lawyers at the firm did some legal work for him as well, and he might have been placing a business call to them, rather than a personal call to me. However, because the lion's share of his calls were personal calls to me, the routing table that is the genius of the '263 patent would have routed his calls to my extension every time he dialed.

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patent adds nothing needed to decide this motion; I note only that plaintiff takes the position that the core new feature described in the '726 patent – software capable of identifying the police/fire department "nearest" to the location of the caller, using caller ID to identify the caller's location – is not utilized in the invention described in the '156 patent.)

Of course, I could have forwarded his call if he reached me by mistake, but I would likely not have appreciated the interruption.

Defendants' expert, Walter L. Campbell, opines that both patents disclose many of the same features (a method for detecting the identify of a caller, receiving an assigned incoming telephone number, identifying a recipient associated with the assigned incoming telephone number, connecting the caller and the recipient, and the assigned incoming telephone number's being associated with multiple recipient telephone numbers). These features work differently as between the '156 and the '263 patents; in particular the "assigned incoming telephone number" is assigned *to the recipient by the caller* under the '156 patent, but under the '263 patent it is simply the central or main telephone number of an enterprise that must be dialed in order to access the employees of that enterprise. This fact makes the central number an "incoming" number, but it is not "assigned" (certainly not by the caller) to any particular individual. Using the '263 technology, the recipient's individual extension is associated with a call received on the main phone number by means of the routing table, or calling history of the caller, whereas using the '156 technology the caller has said, "If I dial this number you are to connect me with Person X and no one else." However, under Mr. Campbell's view of the facts, there is some feature in the '156 patent that corresponds to each feature of the '263 patent – with one notable exception.

Mr. Campbell admits that one limitation disclosed in the '156 patent is nowhere to be found in the '263 patent: "a plurality of assigned incoming telephone numbers to choose from." The plurality of numbers from which the caller can choose is a function of the fact that each assigned incoming number can correspond to one and only one intended recipient: an assigned incoming telephone number for my best friend, a different one for my sister, yet another one for my son, and I as the end user select the correct assigned incoming number for the person to whom I wish to speak.

But while the '263 patent contains no such limitation, Defendants take the position that the one skilled in the art would readily have concluded that it might make sense to assign different incoming telephone numbers to different departments or offices within an organization, thereby providing the caller with a plurality of assigned incoming telephone numbers and an ability to reach different people. Of course, as plaintiff points out, giving Accounting one main number and Human Resources a different main number does not solve the problem of misrouting calls to persons other than the actual intended recipient. To go back to my law firm example, there are probably ten people still there whom I call from time to time, some more regularly than others . . . and they all work in the same department. So assigning the Litigation Department its own telephone number would not guarantee that I would be routed to the right person when I called. Put otherwise, assigning several "central" telephone numbers does not insure that the end user will have his call directed to the exact person to whom he wishes to speak – which, according to Stanacard, is one of the critical differences between the '156 invention and the '263 invention that render the former non-obvious over the latter.<sup>2</sup>

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<sup>2</sup> I have no doubt that Stanacard believes that the '156 patents solved a problem that the '263 patent was unable to solve – the problem of getting to the right person every time.



Additionally, plaintiff's expert, Mr. Iacovelli, opines that the disclosures in the '156 patent are not an "obvious and common sense extension of the methods described in the '263 patent . . . ." (Iacovelli Decl. ¶28). In his opinion, the '263 patent is confined to a "closed" system of the sort exemplified in the specification: a central telephone number for a private branch exchange (PBX) within a particular business enterprise, in which dialing a central number allows the end user (with or in the case of the '263 without further assistance) to access many individual extensions for employees and departments within the enterprise; while the system contemplated by the '156 patent is an "open" system, in which a local access number is used to dial a single identified recipient somewhere outside the locality in which the call is being placed. (*Id.* at ¶¶25-26). Defendant's expert contends that this is not a distinction that makes a difference, especially since the patent cannot be limited to the embodiment disclosed in the specification. But Mr. Campbell does not suggest any other embodiment for the '263 patent, and I have yet to think of one.

In sum, the two sides' experts differ on two critical points: whether the '263 patent and the '156 patent disclose the same elements and limitations, and whether one acknowledged difference between them (the plurality of numbers) would have been "obvious" to one skilled in the art. Each side has presented testimony from a purported expert to support its point of view. The experts do not agree. That precludes summary judgment.<sup>3</sup>

*There is a genuine issue of fact concerning who qualifies as a person skilled in the art*

One reason that the parties' experts differ on the last point is that they differ over who would qualify as being "a person having ordinary skill in the art." Mr. Campbell insists that that description applies to anyone with a high school diploma who has worked in telecommunications for 3-5 years, in any capacity with exposure to technology, "such as outside operations, customer service, sales, etc." with "normal in-house training on the technology used in the telecommunications field." (Campbell Decl. at ¶21). This person would be "familiar with call forwarding and database look-up processes." (*Id.*) By contrast, Mr. Iacovelli, who is himself a software developer for telecommunications systems, opines that a person of ordinary skill in the art – which art he defines as "telecommunications systems development" with the capacity to design the method described in the '156 patent – would have a college degree and would likely have a Master's Degree in Computer Science, with at least five years' experience in telecommunications software development. (Iachovelli Decl. ¶18).

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<sup>3</sup> No motion was made to exclude the testimony of either expert on *Daubert* grounds, so for the purposes of this motion only, the Court accepts the testimony of both men as qualified. Stanacard has intimated that it would challenge Mr. Campbell's qualifications later in the case; its failure to do so on this motion does not preclude plaintiff from doing so later, especially if discovery (which has yet to be taken) reveals, as Mr. Iacovelli contends, that only a software engineer could have invented the invention disclosed in the '156 patent. Whether that be true is very much an open question in my mind, as I see a difference between intuiting that the use of an access number plus the caller's phone number to route a call directly to a previously designated recipient (something that might well occur to a person who could not program a computer to bring about that result) and doing the programming that brings that idea to fruition.

Two more disparate descriptions of what constitutes a “person having ordinary skill in the art” I cannot imagine. A line installer with five years’ experience in the field would appear to qualify under Mr. Campbell’s definition – s/he would certainly have “exposure to technology,” and virtually anyone (the Court included) knows what caller ID is and how to look things up in a database. Mr. Iacovelli believes that only someone with his skill set (he meets his own criteria for ordinary skill in the art) should qualify. The Court has no idea who is correct, or for that matter how to resolve the issue; this is the first case I can recall in which the parties did not agree on the qualifications of the hypothetical “person having ordinary skill in the art.”

If the parties cannot agree on who qualifies as a person skilled in the art, then there is a question of fact to be resolved. This precludes summary judgment as well.

#### CONCLUSION

The motion for summary judgment is denied. The Clerk of Court is directed to remove the motion at Docket # 45 from the Court’s list of open motions.

The parties have until June 30, 2015 to complete all discovery, including expert discovery. That date will not be extended for any reason. I intend to try this case next fall.

Dated: January 14, 2015



U.S.D.J.

BY ECF TO ALL COUNSEL