IN THE UNITED STATES DISTRICT COURT
FOR THE EASTERN DISTRICT OF TEXAS
MARSHALL DIVISION

DATATREASURY CORPORATION,	§	
	§	
Plaintiff,	§	
	§	
v.	§	**CIVIL ACTION NO. 2:06-CV-72 DF**
	§	
WELLS FARGO & COMPANY, et al.,	§	
	§	
Defendants.	§	

O R D E R

Before the Court is the Renewed Motion for Summary Judgment of Defendants The Clearing House Payments Company LLC ("TCH") and Viewpointe Archive Services LLC ("Viewpointe") (collectively, the "Defendants"). Dkt. No. 1960. Also before the Court are Plaintiff's response and Defendants' reply. Dkt. Nos. 1970 & 1978, respectively. The Court held a hearing on March 4, 2010. *See* 3/4/2010 Hr'g Tr., Dkt. No. 2021 at 79:16-89:25. Having considered the briefing, oral arguments of counsel, and all relevant papers and pleadings, the Court finds that Defendants' motion should be DENIED.

I. LEGAL PRINCIPLES

In a motion for summary judgment, the moving party has the initial burden of showing that there is no genuine issue of any material fact and that judgment should be entered as a matter of law. Fed. R. Civ. P. 56(c); *Celotex Corp. v. Catrett,* 477 U.S. 317, 322-23 (1986). "The evidence of the non-movant is to be believed, and all justifiable inferences are to be drawn in his favor." *Anderson v. Liberty Lobby, Inc.,* 477 U.S. 242, 255 (1986). An issue is "material" where it involves a fact that might affect the outcome of the suit under the governing law of the

underlying cause of action. *See Burgos v. S.W. Bell Tel. Co.,* 20 F.3d 633, 635 (5th Cir. 1994) (citing *Liberty Lobby,* 477 U.S. at 248)). The nonmovant is not required to respond to a motion for summary judgment until the movant first meets its burden of demonstrating that there are no factual issues warranting trial. *Ashe v. Corley,* 992 F.2d 540 (5th Cir. 1993). Once the movant has shown the absence of material fact issues, however, the opposing party has a duty to respond, via affidavits or other means, asserting specific facts showing that there is a genuine issue for trial. Fed. R. Civ. P. 56(e). "Summary judgment will not lie if the dispute about a material fact is 'genuine,' that is, if the evidence is such that a reasonable jury could return a verdict for the nonmoving party." *Liberty Lobby*, 477 U.S. at 248.

II. DISCUSSION

Plaintiff alleges infringement of United States Patents No. 5,910,988 ("the '988 Patent") and 6,032,137 ("the '137 Patent"). This case has been previously set for a "Phase I" trial on the Court's March 2010 trial docket. *See* 1/19/2010 Order, Dkt. No. 1870 (regarding trial plan); *see also* 12/9/2009 Amended Docket Control Order, Dkt. No. 1730; 6/1/2009 Second Amended Order, Dkt. No. 1245. The remaining Phase I Defendants are TCH, Viewpointe, and U.S. Bank, National Association ("U.S. Bank").

The Court previously granted in part and denied in part the Motion for Summary Judgment of The Clearing House Payments Company LLC and Viewpointe Archive Services LLC (Dkt. No. 1731), filed December 9, 2009 and on which the Court heard oral arguments on February 8, 2010. *See* 2/10/2010 Order, Dkt. No. 1932; *see also* 2/8/2010 Hr'g Tr., Dkt. No. 1944. The Court permitted TCH and Viewpointe to renew their motion as to joint and several liability after Plaintiff dropped its contention (at least as to Phase I) that TCH and Viewpointe are

"masterminds" for purposes of joint infringement. *Compare* 2/10/2010 Order, Dkt. No. 1932 at 6-7 (citing instances of Plaintiff's position that TCH and Viewpointe exercise direction and control for joint infringement) *with* 2/18/2010 Tr., Dkt. No. 1953 at 27:13-29:11 ("The Court: Okay. So the banks are the master, and then Viewpointe and Clearing House are the servants? [Plaintiff's counsel]: Correct.") & 31:15-34:22.

Defendants argue that they cannot be found liable to Plaintiff because, in short, "[t]here is no such thing as respondeat inferior." Dkt. No. 1960 at 4 (quoting *Speer v. Taira Lynn Marine, Ltd., Inc.*, 116 F. Supp. 2d 826, 830 (S.D. Tex. 2000) (finding the "[defendant's] duty to provide a seaworthy vessel to [the p]laintiff while working as its crew member does not impose this duty downward upon [the defendant's] alleged agent."); *see also* Dkt. No. 1978 at 1 & 2 (citing Restatement (Third) Agency § 7.01 cmt. d). Defendants also argue that as mere servants, they need not even be present as defendants at any trial. Dkt. No. 1960 at 5. Defendants further argue that Plaintiff's damages expert has done no hypothetical negotiation analysis as to Defendants. *Id.* at 6-7.

Plaintiff responds that "one unique and compelling aspect of this litigation which sets it apart from all other precedent discussing joint infringement that has been cited to this Court by either [Plaintiff] or the Defendants is that the Defendants at bar are companies that were *created by banks* for the specific and exclusive purpose of carrying out the elements of infringement alleged by [Plaintiff]." Dkt. No. 1970 at 2. That is, Plaintiff argues, Defendants are "so closely aligned and intertwined as to make them more a single actor than two." *Id.* at 3.

Defendants reply that "*BMC* and *MuniAuction* do not undermine the single-party infringement standard." Dkt. No. 1978 at 2 (citing *BMC Resources, Inc. v. Paymentech, L.P.*,

498 F.3d 1373 (Fed. Cir. 2007) & *Muniauction, Inc. v. Thomson Corp.*, 532 F.3d 1318 (Fed. Cir. 2008). "Instead, they apply common-law agency principles to this rule: A principal who practices some elements of a method claim through its agent is the 'single party' that practices all elements, because the agent's conduct is attributable to the principal." *Id.* (citation omitted). Defendants also submit that Plaintiff "has neglected to plead, present, or support any alter ego theory, or to offer such a theory in response to any discovery requests or through its experts." *Id.*

Plaintiff submits that it has served expert reports that cover damages for alleged joint infringement by TCH and Viewpointe with the various bank defendants, including U.S. Bank. Dkt. No. 1785 at 1; *see, e.g.,* Dkt. No. 1906 at 2 ("Indeed, Viewpointe got all of [Dr.] Smith's reports, and all of his supplemental reports, for each of the banks they were directed against."). Plaintiff maintains that TCH and Viewpointe are jointly and severally liable with U.S. Bank for those damages. Generally, "[e]ach joint tort-feasor is liable for the full amount of damages (up to a full single recovery) suffered by the patentee." *Shockley v. Arcan, Inc.*, 248 F.3d 1349, 1364 (Fed. Cir. 2001) (addressing joint and several liability of a manufacturer, distributor, and reseller); *see also FMC Corp. v. Up-Right, Inc.*, 816 F.Supp. 1455, 1461 (N.D. Cal. 1993) ("Under federal patent law, when infringement results from the participation and combined or successive action of several parties, those parties are joint infringers, and are jointly liable."); *W.R. Grace & Co.–Conn. v. Intercat, Inc.*, 60 F.Supp. 2d 316, 326-27, 332 (D. Del. 1999) (quoting *FMC* and finding joint and several liability for lost profits and price erosion); *Shields v. Halliburton Co.*, 493 F.Supp. 1376, 1389 (W.D. La. 1980) ("When infringement results from the participation and combined action of several parties, they are all joint infringers and jointly liable for patent infringement."); *cf. Rotating Prods. Sys., Inc. v. Bock Specialties, Inc.*, No. 01-1581,

42 Fed. Appx. 460, 2002 WL 1560776 (Fed. Cir. July 16, 2002) (applying Colorado law and affirming finding of joint and several liability as to damages for patent infringement and civil conspiracy); *Conopco, Inc. v. May Dept. Stores Co.*, 46 F.3d 1556, 1571 n.13 (Fed. Cir. 1994) (vacating finding of joint and several liability for trademark infringement upon affirming liability as to only one defendant and reversing as to others).

Plaintiff's theories of liability include facts that may set this case apart from *BMC* and *Muniauction* and justify a finding of joint and several liability, as apparently contemplated in *On Demand Machine Corp. v. Ingram Indus., Inc.*, 442 F.3d 1331, 1344-45 (Fed. Cir. 2006); s*ee also* Dkt. No. 1970 at 3 n.1 (citing evidence submitted in response to Defendants' original motion for summary judgment, purportedly showing that "Viewpointe and The Clearing House exist only for the utility of the banks, are bank founded, bank owned, bank funded, bank directed, bank controlled and bank beholden."). The relevant portion of *On Demand* has been criticized. *BMC*, 498 F.3d at 1380 ("*On Demand* did not change this court's precedent with regard to joint infringement."); *Muniauction*, 532 F.3d at 1329-30 ("[T]his court in *BMC Resources* explicitly affirmed a reading of *On Demand* as 'not in any way rely[ing] on the relationship between the parties.' . . . That [the defendant] controls access to its system and instructs bidders on its use is not sufficient to incur liability for direct infringement."); *see also* Model Patent Jury Instructions, prepared by The National Jury Instruction Project, at § 3.13 committee note (June 17, 2009). In the case at bar, however, Plaintiff contends that TCH and Viewpointe are not innocent servants and are entangled with U.S. Bank to a degree far exceeding mere direction and control. *See, e.g.,* 3/4/2010 Hr'g Tr., Dkt. No. 2021 at 85:4-11 ("But what we can and will show, Your Honor, is much, much more than [direction and control]. And it's what derives the two-way liability, not

only by the controller or director, U.S. Bank, but also by the jointly participating co-venturer, Viewpointe and The Clearing House, and that is, that the two entities are one, because Viewpointe was created, devised, imagined for the very purpose of doing what we say is the infringement of the patents.").

On balance, Defendants motion for summary judgment should be DENIED.

III. CONCLUSION

The Renewed Motion for Summary Judgment of Defendants The Clearing House Payments Company L.L.C. and Viewpointe Archive Services L.L.C. (Dkt. No. 1960) is hereby **DENIED**.

IT IS SO ORDERED.

SIGNED this 12th day of March, 2010.

DAVID FOLSOM
UNITED STATES DISTRICT JUDGE