

UNITED STATES DISTRICT COURT  
EASTERN DISTRICT OF TEXAS  
MARSHALL DIVISION

AMERANTH, INC.

vs.

PAR TECHNOLOGY CORP., ET AL.

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CASE NO. 2:10-CV-294-DF-CE

**REPORT AND RECOMMENDATION**

The above-referenced case was referred to the undersigned United States Magistrate Judge for pre-trial purposes in accordance with 28 U.S.C. § 636. Pending before the court is defendant Kudzu Interactive, Inc.'s ("Kudzu") motion to dismiss pursuant FED. R. CIV. P. 12(b)(6) (Dkt. No. 53). Kudzu argues that plaintiff Ameranth, Inc.'s ("Ameranth") claims against it are barred by the doctrine of issue preclusion and therefore fail to state a claim upon which relief can be granted. For the reasons that follow, the undersigned recommends that the motion be GRANTED-in-PART and DENIED-in-PART. The court should GRANT the motion with regard to the claims of the patents-in-suit that have been previously-litigated and found invalid. The court, however, should DENY the motion with regard to all other claims of the patents-in-suit.

**I. FACTUAL AND PROCEDURAL BACKGROUND**

On August 13, 2010, Ameranth filed its complaint in this action, alleging that Kudzu and six other defendants infringed Ameranth's U.S. Patent Nos. 6,384,850 ("the '850 patent"); 6,871,325 ("the '325 patent"); and 6,982,733 ("the '733 patent") (collectively, the "patents-in-suit"). The undersigned is well acquainted with the patents-in-suit asserted in the present case. Ameranth filed a lawsuit against defendants Menusoff and CRS Texas in this court styled Case No. 2:07-cv-271-TJW-CE on June 28, 2007 (the "first case") asserting infringement of certain claims of the three patents. The parties thereafter consented to trial before the

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undersigned. The first case was tried to a jury in September 2010, with seven of the claims of the three patents-in-suit being adjudged noninfringed and invalid.<sup>1</sup> Following the trial, the court denied Ameranth's motion for new trial and motions for judgment as a matter of law ("JMOL") of no anticipation, nonobviousness, and no invalidity based on expert testimony that was inconsistent with the court's claim construction (Dkt. Nos. 313 and 314).

The present case asserts infringement of the same three patents that were litigated in the first case. In this case, however, Ameranth asserts additional and previously unasserted claims of the patents-in-suit, including, *inter alia*, claim 12 of the '850 patent and claim 11 of the '325 patent. In its motion to dismiss, Kudzu argues that all of the claims of the patents-in-suit should be dismissed without regard to whether they were asserted in the first case.

## II. LEGAL STANDARD

Whether collateral estoppel applies to prevent Ameranth from asserting the claims of the patents-in-suit against Kudzu is a procedural issue not unique to patent law. *See Abbott Labs. v. Andrx Pharm., Inc.*, 473 F.3d 1196, 1202-03 (Fed. Cir. 2007); *Pharmacia & Upjohn Co. v. Mylan Pharm, Inc.*, 170 F.3d 1373, 1381 n. 4 (Fed. Cir. 1999); *Dana v. E.S. Originals*, 342 F.3d 1320, 1323 (Fed. Cir. 2003). The court therefore applies the law of the regional circuit, here the Fifth Circuit. *See Abbott Labs.*, 473 F.3d at 1202-03. The court will first address the parameters for applying collateral estoppel addressed by the Supreme Court in *Blonder-Tongue Labs., Inc. v. Univ. of Ill. Found.*, 402 U.S. 313 (1971), followed by an analysis of the application of *Blonder-Tongue* in the Fifth Circuit.

In *Blonder-Tongue*, the Supreme Court discussed the importance of a final determination

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<sup>1</sup> The claims found to be noninfringed and invalid are: (1) claims 1 and 4 of the '850 patent; (2) claims 6, 9, and 10 of the '325 patent; and (3) claims 1 and 3 of the '733 patent.

on the merits to application of collateral estoppel. The decision was limited to the issue of “permitting a patent holder to sue on his patent after it has once been held invalid *following opportunity for full and fair trial.*” *Blonder-Tongue*, 402 U.S. at 330 (emphasis added); *see also Abbott Labs.*, 473 F.3d at 1203. The Supreme Court emphasized that:

we should keep firmly in mind that we are considering the situation where the patentee was plaintiff in the prior suit and chose to litigate at that time and place. Presumably he was prepared to litigate and to litigate to the finish against the defendant there involved. Patent litigation characteristically proceeds with some deliberation and, with the avenues for discovery available under the present rules of procedure, there is no reason to suppose that plaintiff patentees would face either surprise or unusual difficulties in getting all relevant and probative evidence before the court in the first litigation.

*Blonder-Tongue*, 402 U.S. at 332. *Blonder-Tongue* held that, in such situations, a defendant could plead estoppel if it “identifies the issue in suit as the identical question finally decided against the patentee in previous litigation.” *Id.* at 333. Once this showing has been made, the patentee must be permitted to demonstrate that he did not have a “fair opportunity procedurally, substantively and evidentially to pursue his claim the first time.” *Id.*; *see also Abbott Labs.*, 473 F.3d at 1203.

The Supreme Court explained that “[d]etermining whether a patentee has had a full and fair chance to litigate the validity of his patent in an earlier case is of necessity not a simple matter.” *Id.* “Relevant factors include which party had the choice of forum; whether the patentee had an incentive to fully litigate in the prior litigation; and whether the patentee was deprived of crucial evidence of witnesses in the first litigation through no fault of its own.” *Abbott Labs.*, 473 F.3d at 1203 (citing *Blonder-Tongue*, 402 U.S. at 333). With respect to whether a judgment is a final judgment, under Fifth Circuit law, “judgments are final for purposes of issue preclusion when fully litigated, even if not yet appealable.” *Cycles, Ltd. v. Navistar Fin. Corp.*, 37 F.3d 1088, 1090 (5th

Cir. 1994).

### III. APPLICATION

#### a. Claims Previously Adjudicated Invalid

Ameranth argues that it did not receive a full and fair opportunity to litigate the claims it asserted in the first trial. Ameranth, however, does not deny that it was the plaintiff in the prior litigation and that it chose the time and place of that action. Furthermore, as is evidenced by the week-long trial and the three-year pendency of the first case, Ameranth does not deny that it had an incentive to fully litigate the claims asserted therein. Finally, in reviewing Ameranth's JMOL motions and motion for new trial, the undersigned considered and rejected the improprieties that Ameranth claimed occurred during the first trial. Considering this, the undersigned recommends that the court find that Ameranth received a full and fair opportunity to litigate the claims asserted in the first case and grant Kudzu's motion to dismiss the claims asserted in the first case that were found to be invalid, as well as any independent claims from which an invalidated dependent claim stems. Specifically, the following claims of the patents-in-suit fall within this recommendation: (1) claims 1, 3, and 4 of the '850 patent; (2) claims 1, 6, 9, and 10 of the '325 patent; and (3) claims 1 and 3 of the '733 patent.<sup>2</sup>

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<sup>2</sup> Claim 4 of the '850 patent was held invalid in the previous litigation and that claim depends from claim 3 of the '850 patent. Similarly, invalidated claim 6 of the '325 patent depends from claim 1 of the '325 patent. "A broader independent claim cannot be nonobvious [i.e., valid] where a dependent claim stemming from that independent claim is invalid for obviousness." *Callaway Golf Co. v. Acushnet Co.*, 576 F.3d 1331, 1344 (Fed. Cir. 2009); see also *Ormco Corp. v. Align Tech., Inc.*, 498 F.3d 1307, 1319 (Fed. Cir. 2007) ("Because [dependent] claims 10 and 17 were found to have been obvious, the broader claims 1 and 11 must also have been obvious."). Accordingly, claim 3 of the '850 patent and claim 1 of the '325 patent are also necessarily invalid because they are the independent claims on which more narrow, dependent claims are based.

**b. Previously Unasserted Claims**

Kudzu argues that, although only some of the claims of the patents-in-suit were declared invalid in the first case, the court should dismiss all of the claims of the patents-in-suit because Ameranth admitted that the claims it asserted in the first case were “representative.” The undersigned in the first case ordered Ameranth to reduce the number of asserted patent claims to seven or fewer. Pursuant to that order, Ameranth identified seven “representative” claims that it would assert in the first trial. Ameranth, however, also stated that “[s]hould the jury or this Court find any of the selected representative claims to be not infringed, invalid, or unenforceable, Ameranth reserves the right to assert claims previously identified in its infringement contentions against Defendants in this or a separate litigation.” See *Ameranth v. Memusoft Systems Corp.*, Case No. 2:07-cv-271-CE at Dkt. 211. Furthermore, the Supreme Court has explicitly stated that collateral estoppel can apply only if it is established that “the identical question” was finally decided in a prior litigation. *Blonder-Tongue*, 402 U.S. at 333; see also *Pharmacia & Upjohn Co.*, 170 F.3d at 1379 (“once *the claims* of a patent are held invalid in a suit involving one alleged infringer, an unrelated party who is sued for infringement of *those claims* may reap the benefit of the invalidity decision under the principles of collateral estoppels”) (emphasis added)). Here, many of the claims asserted in this case contain limitations not found in the “representative” claims Ameranth asserted in the first case. In sum, there could have been no final decision on the validity of claims that were withdrawn, not asserted, or never litigated in first case – that is, there could have been no final decision on “the identical question” of the validity of claims that were not presented to the jury in the first case. Accordingly, the undersigned recommends that the court deny Kudzu’s motion to dismiss claims of the patents-in-suit that were not previously adjudicated

invalid in the first case.

#### IV. CONCLUSION

For the reasons stated above, the undersigned recommends that the court GRANT-in-PART and DENY-in-PART Kudzu's motion to dismiss. The court should GRANT the motion with regard to the following claims of the patents-in-suit: (1) claims 1, 3, and 4 of the '850 patent; (2) claims 1, 6, 9, and 10 of the '325 patent; and (3) claims 1 and 3 of the '733 patent. The court, however, should deny the motion with regard to all other claims of the patents-in-suit that were not found invalid in the first case.

A party's failure to file written objections to the findings, conclusions, and recommendations contained in this report within fourteen days after being served with a copy shall bar that party from de novo review by the district judge of those findings, conclusions, and recommendations and, except on grounds of plain error, from appellate review of unobjected-to factual findings, and legal conclusions accepted and adopted by the district court. Fed. R. Civ. P. 72(b)(2); see *Douglass v. United Servs. Auto. Ass'n*, 79 F.3d 1415, 1430 (5th Cir. 1996) (en banc).

SIGNED this 16th day of August, 2011.

  
CHARLES EVERINGHAM IV  
UNITED STATES MAGISTRATE JUDGE