UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

INTELLECTUAL VENTURES II L.L.C.,	:	
Plaintiff,	:	**ORDER GRANTING RECONSIDERATION, AND GRANTING SUMMARY JUDGMENT DISMISSING THE COMPLAINT**
-against-	:	
JP MORGAN CHASE & CO., JP MORGAN CHASE BANK, NATIONAL ASSOCIATION, and CHASE BANK USA, NATIONAL ASSOCIATION,	:	13 Civ. 3777 (AKH)
Defendants.	:	

ALVIN K. HELLERSTEIN, U.S.D.J.:

Plaintiff Intellectual Ventures II L.L.C. ("IV") moves for reconsideration of part of my order of April 28, 2017, filed May 1, 2017 (ECF Dkt. 747). IV argues that I misapplied a key proposition of patent law, namely, that a product capable of infringing a claim of a patent infringes that patent, even though actual infringement cannot be proved. IV cites *Finjan Inc. v. Secure Computing Corp.*, 626 F.3d 1197 (Fed. Cir. 2010), and related cases.

I grant reconsideration, and I have re-read the case and re-examined Claim Four of U.S. Patent No. 7,634,666 (the "'666 Patent"), the only patent left in the case. I now hold that defendants, JP Morgan Chase & Co. and affiliated companies ("JPMC") have not infringed, and are not infringing, the '666 Patent, and that defendants are entitled to summary judgment dismissing the complaint. My reasoning follows.

I. CLAIM FOUR OF THE '666 PATENT

The '666 Patent claims "[a] crypto-engine for cryptographic processing [with] an arithmetic unit and an interface controller for managing communications between the arithmetic unit and a host processor." *See* '666 Patent (Abstract), ECF Dkt. 1 at Ex. E. Claim Four states, *inter alia*, that the invention is:

> A crypto-engine for cryptographic processing of data comprising an arithmetic unit operable as a co-processor for a host processor and an interface controller for managing communications between the arithmetic unit and host processor,
>
> the arithmetic unit including:
>
> a memory unit for storing and loading data;
>
> a multiplication unit, an addition unit and a sign inversion unit for performing arithmetic operations on said data, the multiplication unit, addition unit and sign inversion unit each having an output . . .

Id.

II. THE APRIL 28, 2017 ORDER

JPMC had moved for partial summary judgment to dismiss Claim Four of the '666 Patent, arguing that IV, based on the extensive pre-trial discovery, could not prove infringement. After full briefing, I heard argument on April 25, 2017, and held:

> JPMC did not actually infringe on the '666 Patent because IV cannot show that the Crypto Express 3/4 and 5 cards used inputs with negative numbers, thus showing that there was no use of a sign inversion function or unit, a material part of the patent claim.

Summary Order, ECF Dkt. 747, at 1. However, I denied summary judgment, holding that there was a material issue of fact "on the issue of whether the Crypto Cards are capable of infringing on the '666 [P]atent."[1] *Id.*

[1] IV also moved to reconsider the exclusion of the supplemental report of Dr. Andrew Wolfe. I deny that part of the motion. In any event, Dr. Wolfe's report is irrelevant.

IV asks the Court to reverse its finding that no actual infringement occurred, and argues that mere capability suffices to show infringement. For the reasons discussed below, upon reconsideration, I adhere to my decision that actual infringement cannot be proved, and I now hold that IV cannot prove infringement by way of capability because Claim Four of the '666 Patent makes no reference to capabilities.

III. STANDARD OF REVIEW

"A motion for reconsideration is an extraordinary remedy to be employed sparingly in the interests of finality and conservation of scarce judicial resources." *Benjamin v. Goord*, 2010 WL 3341639, at *1 (S.D.N.Y. Aug. 18, 2010) (internal citation and quotation marks omitted). "A motion for reconsideration should be granted only when the defendant identifies an intervening change of controlling law, the availability of new evidence, or the need to correct a clear error or prevent manifest injustice." *Kolel Beth Yechiel Mechil of Tartikov, Inc. v. YLL Irrevocable Trust.* 729 F.3d 99, 104 (2d Cir. 2013) (internal quotation marks and citations omitted). "The standard for granting such a motion is strict, and reconsideration will generally be denied unless the moving party can point to controlling decisions or data ... that might reasonably be expected to alter the conclusion reached by the court." *Shrader v. CSX Transp. Inc.*, 70 F.3d 255, 256–57 (2d Cir. 1995).

IV. DISCUSSION

IV attacks my holding that there was no proof of an actual infringement, but all its arguments were previously made and previously considered. The *Markman* order in this case defines the term "sign inversion unit," a material element of Claim Four, as "[a] unit that changes positive numbers to negative numbers and changes negative numbers to positive numbers."

Order Regarding Claim Construction and Patent Summaries, ECF Dkt. 82, at 12. IV agreed to this definition, and advocated that definition in other cases in other courts. *See*, Joint Claim Construction Statement, *Intellectual Ventures v. Citigroup, et al.*, 14-cv-4638, ECF Dkt. 65, at 2 ("IV'S CONSTRUCTION [of 'sign inversion unit']: 'a unit that changes positive numbers to negative numbers and changes negative numbers to positive numbers'"). I previously found, and IV presents no proof to the contrary, that "JPMC has produced copious evidence showing that the sign inversion units contained in the IBM Crypto Cards are not designed or programmed to, and are not capable of, converting negative numbers into positive ones." Order and Opinion Denying Motion for Summary Judgment Based Upon Non-Infringement, ECF Dkt. 570, at 8 ("July 2016 Order"). That JPMC's products and systems limit inputs to positive numbers is an indisputable fact. It is equally indisputable that that being so, there is no occasion for changing negative numbers into positive numbers since negative numbers are not inputted. Accordingly, the "arithmetic unit," of which the sign inversion unit is a component, is not infringed. *See id.* ("The source code, functional specifications in IBM technical documents, and the physical evidence . . . show that the IBM Crypto Card is not 'capable of performing the recited function.'" (citing *Microprocessor Enhancement Corp. v. Texas Instruments, Inc.,* 520 F.3d 1367, 1375 (Fed. Cir. 2008))). I so found and, after reconsideration, I find it again.

IV also contends that my finding of no actual infringement is inconsistent with my holding that there is a triable issue of fact whether JPMC's Crypto Cards are capable of infringing the arithmetic unit of Claim Four of the '666 Patent. On reconsideration, I believe that the problem is not one of inconsistency, but in the finding of a triable issue of fact. Claim Four does not mention the "capacity" or "capabilities" of the arithmetic unit, but describes only its

actual performance. The case law of the Federal Circuit is clear that "[u]nless the claim language only requires the capacity to perform a particular element, . . . it is not enough to simply show that a product is capable of infringement; the patent owner must show evidence of specific instances of direct infringement." *Fujitsu Ltd. v. Netgear Inc.*, 620 F.3d 1321, 1329 (Fed. Cir. 2010). Indeed, I had held that previously. *See*, July 2016 Order, at 7–8 ("Mere capability [] is not sufficient to prove infringement where the claim and its construction make no reference to capability.").

Under the '666 Patent, the sign inversion unit is a constituent component of the arithmetic unit and a material element of Claim Four. Accordingly, the sign inversion unit must be functional in order for the arithmetic unit to be "operable as a co-processor for a host processor." '666 Patent, ECF Dkt. 1 at Ex. E. As discussed, the sign inversion unit must meet two conditions to be functional: it must "change[] positive numbers to negative numbers and change[] negative numbers to positive numbers." Order Regarding Claim Construction and Patent Summaries, ECF Dkt. 82, at 12. Here, the Crypto Cards, since they receive only positive inputs, do not perform the second condition of the sign inversion unit. The claim of the '666 Patent is not infringed.

IV relies on *Finjan Inc. v. Secure Computing Corp.*, 626 F.3d 1197 (Fed. Cir. 2010), for the proposition that "an accused device may be found to infringe if it is reasonably capable of satisfying the claim limitations, even though it may also be capable of noninfringing modes of operation." *Id.* at 1204–05. However, *Finjan* recognizes, as *Fujitsu* recognized, that infringement on capability alone requires that the "claim [] recites capability and not actual operation." *Id.* at 1204. Claim Four of the '666 Patent does not recite capabilities. These two

cases, both decided in 2010, should not be read to state different propositions. The additional cases that IV cites also address distinguishable situations, where infringement was based upon theory, rather than use, and the claim language, or the court's construction of the claim language, focused on capability. *See Tivo v. EchoStar Commc'ns Corp.*, 516 F.3d 1290, 1296–98 (Fed. Cir. 2008) (finding digital video recorder boxes sold by defendant infringed claim requiring "accepting . . . broadcast signals . . . based on a multitude of standards," and rejecting defendant's argument of a non-infringing claim construction that the "accepting" limitation also required the DVR to "be capable of processing" more than one of those standards); *Versata Software, Inc. v. SAP Am., Inc.*, 717 F.3d 1255, 1262 (Fed. Cir. 2013) (claim language requiring "computer instructions capable of" performing a function infringed where it was undisputed that the alleged infringing "software, as set up by [patentee's] expert, performed the claimed functionality").

Neither Claim Four of the '666 Patent, nor the construction of Claim Four, describes capability, and therefore alleged capability does not give rise to an issue of fact where there has been no infringement. *See Fujitsu Ltd.*, 620 F.3d at 1329. Claim Four of the '666 Patent requires "an arithmetic unit operable as a co-processor for a host processor." Ex. E, ECF Dkt. 1, United States Patent No. 7,634,666 B2. Contrary to IV's assertion, the term "operable" does not mean "capable" in the context of this patent, and clearly it has nothing to do with the sign inversion function of the arithmetic unit. *See Finjan*, 626 F.3d at 1204 (capability-based infringement requires that the "claim [] recites capability *and not actual operation*" (emphasis added)). The patent references the sign inversion unit as a constituent part of the arithmetic unit so that the arithmetic unit can be "operable" as a co-processor. The sign inversion unit is a

material element of the arithmetic unit, and is thus a necessary condition of operability. Claim Four describes use and function, not capability. I find that Claim Four of the '666 Patent makes no reference to capability and that IV cannot prove infringement.

V. CONCLUSION

Accordingly, after reconsideration, JPMC's motion for summary judgment is granted in full (ECF Dkt. 682). IV's and JPMC's motions for portions of their motion papers to be filed under seal are granted (777, 781, 785, 792, 799, 803, 809, 815, 822, 827, 832, 838, 842, and 846). In light of my holding, all other pending motions in this case are moot and, on that ground denied, and the Clerk shall mark them terminated (760, 762, 789, 795, 806, and 811). Since all other claims of IV's complaint have been dismissed by previous orders, *see* ECF Dkt. 381 and 517, the Clerk shall enter judgment for defendant dismissing the complaint, with prejudice and costs to be taxed by the Clerk.

SO ORDERED.

Dated: New York, New York
July 11, 2017

ALVIN K. HELLERSTEIN
United States District Judge