

IN THE UNITED STATES DISTRICT COURT
FOR THE WESTERN DISTRICT OF TENNESSEE
WESTERN DIVISION

Barry Fiala, Inc.,)	
)	
Plaintiff,)	
)	
v.)	No. 02-2167 M1/A
)	
Card USA, Inc.)	
)	
Defendant.)	

**ORDER GRANTING PLAINTIFF BARRY FIALA, INC.'S MOTION FOR SUMMARY
JUDGMENT ON CARD USA, INC.'S COUNTERCLAIMS**

Before the Court is Barry Fiala, Inc.'s ("Fiala") Motion for Summary Judgment on Card USA, Inc.'s Counterclaims, filed on December 1, 2003. Defendant Card USA, Inc. ("Card USA") responded in opposition on January 30, 2004. For the reasons following, the Court GRANTS Fiala's motion and hereby DISMISSES Card USA's counterclaims.

I. FACTUAL BACKGROUND

This case involves a dispute between an inventor and an alleged patent infringer. On July 6, 1999, the Patent and Trademark Office ("PTO") issued U.S. Patent No. 5,918,909 (the "'909 patent") to inventors Barry Fiala and Ronald Blythe Selby. Patent '909 teaches a package for holding a data-encoded card and a method of using said card-package combination to activate a metered account at the point of sale.

In April, 2001, Defendant Card USA manufactured a card-package combination that could also be activated at the point of sale for TracFone Wireless, Inc. ("Tracfone"). As a result, Fiala instituted the current lawsuit for patent infringement against Card USA alleging that the card manufacturer infringed the method protected by the '909 patent. Card USA responded to the initial claims by filing affirmative defenses, as well as two counterclaims: a claim for unfair competition and a claim for misuse of patent. These counterclaims are the subject of this Order.

II. SUMMARY JUDGMENT STANDARD

According to Rule 56 of the Federal Rules of Civil Procedure, summary judgment is appropriate when the evidence presented shows "that there is no genuine issue as to any material fact and that the moving party is entitled to a judgment as a matter of law." Fed. R. Civ. P. 56(c); *see also Celotex Corp. v. Catrett*, 477 U.S. 317, 322 (1986). In order to make this assessment, the Court must determine whether the evidence presents a sufficient disagreement to require submission to a jury or whether it is so one-sided that one party must prevail as a matter of law." *Anderson v. Liberty Lobby, Inc.*, 477 U.S. 242, 251-52 (1989). The Court views the evidence and any reasonable inferences that may be drawn in the light most favorable to the non-moving party. *Kochins v. Linden-Alimak, Inc.*, 799 F.2d 1128,

1133 (6th Cir. 1986); see also *Matsushita Elec. Indus. Co. v. Zenith Radio Corp.*, 475 U.S. 574, 587 (1986).

III. ANALYSIS

As noted, this Order addresses Card USA's two counterclaims against Fiala (i.e., the unfair competition claim and the patent misuse claim). The Court considers each claim separately.

A. Unfair Competition

Federal patent law bars the imposition of liability upon patentees who try to enforce their patents, unless the party bringing an action for unfair competition can show that the patent holder acted in bad faith. *Golan v. Pingel Enter.*, 310 F.3d 1360, 1370 (Fed. Cir. 2002). "Exactly what constitutes bad faith [is] to be determined on a case by case basis. [Generally], if the patentee knows that the patent is invalid, unenforceable, or not infringed, yet represents to the marketplace that competitor is infringing the patent, a clear case of bad faith representation is made out." *Id.* (citing *Zenith Elec. Corp. v. Exzec, Inc.*, 182 F.3d 1340, 1354 (Fed. Cir. 1999)). In any event, the party seeking to establish an unfair competition claim must actually present clear and convincing evidence sufficient to conclude that the patentee acted in bad faith. *Id.*

Card USA's contentions fall short of the standard required to survive a motion for summary judgment on an unfair competition

claim. The only evidence of bad faith Card USA sets forth in its brief is a list of pending patent infringement lawsuits instituted by Fiala in the Western District of Tennessee. Card USA uses this information to suggest that the various lawsuits provide evidence, in and of themselves, of Fiala's litigious nature and of his bad faith. As explained by the Federal Circuit, "a patent owner has right to . . . enforce its patent, and that includes threatening alleged infringers with suit." *Golan*, 310 F.3d at 1370. The fact that plaintiff has aggressively pursued his rights to the '909 patent cannot on its own establish bad faith.

Similarly, Card USA's reliance on a letter sent to Card USA's client TracFone alerting the company to Fiala's rights in the patent is misdirected. In the letter dated February 28, 2001, Fiala's counsel explains not only his client's legal interest in the invention, but also makes the corporation aware of potential infringement by Card USA, the manufacturer of Tracfone's cards. Established precedent indicates that "extra-judicial activities, including notifying customers and potential customers of [potential infringement], are within the purview of actions a party with rights to a patent may engage in to enforce its rights to [the intellectual property]." *Mirafi, Inc. v. Murphy*, 18 U.S.P.Q.2d (BNA) 1087 (Fed. Cir. 1991). Therefore, Fiala's counsel's letter to Card USA's client was among the actions contemplated by patent laws and cannot on its own be

offered as clear and convincing evidence of bad faith.

Thus, absent affirmative evidence that Fiala's allegations against Card USA were made in bath faith, the Court finds that there is no genuine issue of fact to be submitted to a jury on the unfair competition counterclaim. Accordingly, the Court GRANTS Fiala's motion for summary judgment as to the first counterclaim.

B. Misuse of Patent

Card USA's misuse of patent counterclaim meets a similar fate.¹ "Patent misuse arose, as an equitable defense available to the accused infringer, from the desire to restrain practices that did not in themselves violate any law, but that drew anticompetitive strength from the patent right, and thus were deemed to be contrary to public policy." *Mallinckrodt, Inc. v. Medipart, Inc.*, 976 F.2d 700, 704 (Fed. Cir. 1992). The key

¹ In its brief, Card USA argues that "it is important to note that [Card USA] has not named any cause of action set forth therein as a formal "Misuse of Patent." (*Id.*) Nevertheless, in the next sentence the defendant describes the second counterclaim as alleging "that [Fiala] misused [its] patent that was invalid or unenforceable to coerce others, including [Card USA] to enter into licensing agreements to further the hold of the patent-in-suit on the market." (*Id.*) (emphasis added). Moreover, a review of the amended counterclaims reveals that Card USA explicitly charges Fiala with misuse of the patent-in-suit in the text of the second amended counterclaim. (Def.'s Ex. G.) Therefore, given that the substance of the claim articulates a claim for misuse of patent, the Court will consider Card USA's second counterclaim as asserting precisely this type of claim. The Court additionally notes that captions or headings although helpful to the courts, are usually not considered determinative of an action. See Wright & Miller, *Federal Practice and Procedure: Civil 2d* § 1321 (1990).

inquiry under this doctrine is whether the patentee has "impermissibly broadened the physical or temporal scope of the patent grant with anticompetitive effect." *Windsurfing Int'l, Inc. v. AMF, Inc.*, 782 F.2d 995, 1001-02 (Fed. Cir. 1986); see also *Mallinckrodt*, 976 F.2d at 704. Generally, misuse of patent cases arise when a patentee requires his licensees to buy an unpatented staple used with the patented device (e.g., ink with a mimeograph machine) or when the patentee attempts to maintain his or her monopoly past the seventeen-year statutory period. See *USM Corp. v. SPS Tech.*, 694 F.2d 505, 510-12 (7th Cir. 1982) (Posner) (explaining that the patent misuse doctrine, similar to antitrust laws, was designed to prevent abuse of the patent monopoly).

Here, neither of these circumstances are at play. Instead, Card USA predicates its patent misuse claim on allegations that Fiala has pursued "an aggressive licensing program" by entering into six licensing agreements with various vendors. (Def.'s Response at 11.) Without discussing the terms of any of the licenses, Card USA asks the Court to infer that the mere existence of the licenses themselves is sufficient to support its patent misuse claim.

The practice of licensing rights to inventions is an old one. *Mallinckrodt*, 976 F.2d at 704. "The rule is, with few exceptions, that any conditions which are not in their very

nature illegal with regard to this kind of property, imposed by the patentee and agreed to by the licensee for the right to manufacture or use or sell the patented article, will be upheld by the courts." *Id.* Thus, in order "[t]o sustain a misuse defense involving a licensing arrangement . . . a factual determination must reveal that the overall effect of the license tends to restrain competition unlawfully in an appropriately defined relevant market." *Id.* at 707.

Card USA has not met this burden. The corporation has not presented any evidence defining the relevant market, its players, or the effect Fiala's six licenses have had, or may have, on competition. The only evidence submitted to the Court is a copy of the "Non-Exclusive Crosslicense Agreement" between Fiala and a third party, without any accompanying analysis. Given the ample protection afforded to inventors under the patent laws and the lack of evidence presented in response to Fiala's motion for summary judgment, this Court cannot assume that Fiala's attempts to protect its interest in the '909 patent through a series of licenses adversely affects the market for point-of-sale activated cards. Consequently, the Court finds that Card USA has not set forth sufficient evidence to survive summary judgment on its misuse of patent counterclaim and GRANTS Fiala's motion on this counterclaim.

IV. CONCLUSION

In sum, the Court finds that Card USA has not averred

sufficient facts or provided enough evidence to support either of its counterclaims. Because no issue of fact exists for the jury to resolve, the Court GRANTS Fiala's motion for summary judgment and DISMISSES Card USA's counterclaims for unfair competition and misuse of patent.

So ORDERED this ____ day of February, 2004.

JON P. McCALLA
UNITED STATES DISTRICT JUDGE