ADDENDUM

UNITED STATES DISTRICT COURT
FOR THE NORTHERN DISTRICT OF ILLINOIS
EASTERN DIVISION

SMART SYSTEMS INNOVATIONS, LLC, Plaintiff, v. CHICAGO TRANSIT AUTHORITY, CUBIC CORPORATION, CUBIC TRANSPORTATION SYSTEMS, INC., and CUBIC TRANSPORTATION SYSTEMS CHICAGO, INC., Defendants.	)	No. 14 C 08053 Judge Edmond E. Chang

ORDER

In this patent-infringement case, Smart Systems alleges that the Chicago Transit Authority's Ventra transit-fare collection system infringes on five patents owned by Smart Systems. As detailed in a prior opinion, the Court deemed invalid four of those patents. R. 81. Specifically, the Court held that U.S. Patent Nos. 7,566,003, 7,568,617, 8,505,816, and 8,662,390 were invalid because the patents' claims are directed to a patent-ineligible abstract idea, R. 81 at 10-12, and the claims did not otherwise incorporate an inventive concept that could transform the patent into covering something more than the ineligible concept, R. 81 at 13-17. Accordingly, the four patents were invalid because they sought to claim unpatentable subject matter under 35 U.S.C. § 101.

The remaining patent is No. 5,828,044. The defense did not target the '044 patent in the § 101 challenge, and unlike the other four patents, the '044 does

appear to cover more-concrete credit-card systems in the three independent claims that are at issue in this case, namely, Claims 1, 6, and 46. Generally speaking, the independent claims describe a non-contacting credit-card system that uses a radio-frequency (RF) card, of a specified type, for a transaction. R. 91-2 at 3, 4. The system includes a terminal that receives the card's number data via a radio frequency, so there is no need to insert the card into a reader. In turn, the terminal sends the card number data to a computer that checks the card number for approval (or disapproval) of the transaction. The claims reflect various differences from that general description (which is essentially Claim 1), including whether the transaction is specific to a transit system (Claim 6) or a bus (Claim 46) or to a 16-numeral credit-card number (also Claim 46).

Rather than litigate this remaining patent to judgment and then enter a final judgment on all the patents, Smart Systems asks that this Court certify the decision on the other four patents for an interlocutory appeal by entering a partial final judgment under Federal Rule of Civil Procedure 54(b). In pertinent part, Rule 54(b) says that entry of final judgment on a subset of claims is permitted, though to do so is the exception and not the general practice:

> the court may direct entry of a final judgment as to one or more, but fewer than all, claims or parties only if the court expressly determines that there is no just reason for delay.

Fed. R. Civ. P. 54(b). The Federal Circuit instructs that "it must be apparent, either from the district court's order or from the record itself, that there is a sound reason to justify departure from the general rule that all issues decided by the district

court should be resolved in a single appeal of a final judgment." *iLor, LLC v. Google, Inc.*, 550 F.3d 1067, 1072 (Fed. Cir. 2008).[1] In determining whether to enter a Rule 54(b) judgment, the Court must balance the needs of the parties versus the strong presumption that judicial efficiency generally requires only one appeal at the end of the entirety of the case. *See Spraytex, Inc. v. DJS&T*, 96 F.3d 1377, 1382 (Fed. Cir. 1996). Each time a court gears up to decide a case, including an appeal, it invests time in learning, and re-learning, the case's procedural background, factual setting, and general legal issues, even if the specific issues are not precisely the same (the district-court analogue to this is generally requiring only one-round of summary-judgment motions, rather than piecemeal motions throughout discovery). And if the appeal would hold-up the trial litigation on the remaining claims, then that delay would also counsel in favor of getting to the finish line and allowing just one appeal. Indeed, there might not ever be an appeal at all, depending on the outcome of the trial litigation. (All of this assumes that the district-court decision on the subset of claims (or parties) really is a "final" one on those claims (or parties). Here, the CTA and the co-defendants do not dispute that the § 101 invalidation of the four patents was final as to those claims for purposes of Rule 54(b).)

With those background principles in place, the Court turns to the specifics of this case. Here, there is a sound reason to allow an interlocutory appeal on the four patents: the possibility of avoiding two trials. If the parties move along promptly in the Federal Circuit, then there is a solid chance that the appeal will be decided

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[1] Federal Circuit law applies to Rule 54(b)-certification issues, rather than regional Circuit law. *Storage Tech. Corp. v. Cisco Sys., Inc.*, 329 F.3d 823, 830 (Fed. Cir. 2003).

before the remaining claims go to trial down here in the district court. The '044 patent still requires claim construction; post-construction discovery; and, probably, a round of summary judgment briefing and decision. The proposed appeal would present a question of law on a limited record, and as noted, there is a solid chance of an appellate decision before trial (if there is one) on the '044 patent. If this Court's decision is reversed, then the Court will have a chance to put the brakes on before the trial on the '044 trial, and will have a chance to consolidate the litigation on the four patents into one trial. To hold a jury trial requires significant investment of judicial and, more importantly, community resources, and it would be much better to hold one trial in this case, rather than two.

So there is an *affirmative* reason to allow appeal, but do the usual reasons for waiting (as discussed above) outweigh it? To start, Smart Systems contends that there is no risk that the Federal Circuit would have to decide the same issues twice. Stated at that level of generality, this reason obfuscates the real issue, because it always is the case that there is no need to consider the "same" issue twice: the first appellate decision would always be binding when the same issue arose again. Really the question is, even if the precise "same" issue will not arise again, will there be some overlap or relationship between the proposed appellate issue and the remaining trial-court issues such that the Federal Circuit would have to devote, in a second appeal, the time in re-learning the facts of the litigation, figuring out the applicable legal principles, and applying the principles to facts that are similar to the proposed appeal?

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