IN THE UNITED STATES DISTRICT COURT
FOR THE EASTERN DISTRICT OF PENNSYLVANIA

FRONTLINE TECHNOLOGIES, INC.,	:	CIVIL ACTION
	:	NO. 07-2457
Plaintiff,	:	
	:	
v.	:	
	:	
CRS, INC.,	:	
	:	
Defendant.	:	

M E M O R A N D U M

EDUARDO C. ROBRENO, J. JULY 26, 2012

I. INTRODUCTION

Plaintiff Frontline Technologies, Inc. ("Plaintiff") filed this patent infringement and breach of contract action against Defendant CRS, Inc. ("Defendant") over a technology that facilitates replacement of absent workers with substitute workers. Plaintiff avers that Defendant's SubFinder products infringe U.S. Patent No. 6,675,151 ("the '151 patent") for substitute worker technology. Second Am. Compl. ¶ 14, ECF No. 96. In its Second Amended Complaint, Plaintiff pleads two counts: (1) infringement of the '151 patent and (2) breach of a license agreement between Plaintiff and Defendant. Id. ¶¶ 36-43, 52-55.

Currently pending before the Court is Defendant's Motion for Summary Judgment on non-infringement, priority date,

invalidity, and various contract claims. For the reasons set forth below, the Court will deny Defendant's Motion.

II. BACKGROUND

Plaintiff alleges patent infringement of its '151 patent that claims a labor database wherein customers access a website to post worker absences for which substitutes are needed. Id. ¶¶ 9, 12. Plaintiff's product practicing the claimed invention is called "Aesop." Id. ¶ 9. Substitutes access Aesop to search for posted worker absences and to commit to filling vacancies. Id. Users access Aesop via the Internet using a web interface or via a telephone interactive voice response ("IVR") system. Id.

On January 6, 2004, the U.S. Patent and Trademark Office ("PTO") issued the '151 patent for the substitute worker technology. Id. ¶ 12. The '151 patent claims priority of filing date to U.S. Patent No. 6,334,133 ("the '133 patent"). Plaintiff is the assignee and owner of the '151 patent. Second Am. Compl. ¶ 13. In February 2004, Frontline Data, Plaintiff's predecessor, filed a patent infringement suit against Defendant. Frontline Data and Defendant reached a settlement agreement in November 2004 whereby Frontline Data agreed to license its technology to Defendant in return for royalties. Id. ¶¶ 15-16.

Plaintiff alleges Defendant failed to pay royalties pursuant to the limited licensing agreement ("License Agreement"). Id. ¶¶ 18-23. In particular, and relevant here, the License Agreement required a fee on gross revenues from the sale of "Licensed Products and Services." License Agreement ¶ 3.1, Am. Compl. Ex. B, ECF No. 29-2. The agreement defines "Licensed Products and Services" as those products that would "infringe an unexpired, valid, and enforceable claim" of the '133 patent or '151 patent. Id. ¶ 1.1. After an audit in 2007, Plaintiff determined that Defendant failed to pay the proper royalties under the License Agreement. Specifically, Plaintiff alleged that Defendant failed to account for sales where a substitute teacher used a telephone to fill a wanted position. Defendant contended that the License Agreement did not cover such uses because they did not infringe either the '133 patent or '151 patent. Plaintiff disagreed, terminated the License Agreement, and filed the instant lawsuit on June 18, 2007. See Compl., ECF No. 1.

On August 8, 2007, the PTO granted an ex parte reexamination of claims 3 through 13 of the '151 patent. Second Am. Compl. ¶ 28. Accordingly, the Court placed the action in suspense on November 19, 2007. Order, Nov. 19, 2007, ECF No. 15. During the PTO reexamination, claims 14 through 55 were

added to the '151 patent and claims 3, 6, 9, and 14 through 55 were listed in the reexamination certificate as patentable.[1] See Second Am. Compl. ¶¶ 31, 32; Am. Compl. Ex. C.

On September 30, 2008, during the '151 patent reexamination period, the PTO issued U.S. Patent No. 7,430,519 ("the '519 patent"), titled "Substitute Fulfillment System," a continuation-in-part of the '151 patent, to Roland R. Thompson, Michael S. Blackstone, and Ralph Julius. Am. Compl. ¶¶ 33-34. Plaintiff is assignee and owner of the '519 patent. Id. ¶ 35.

On January 14, 2010, Plaintiff filed an Amended Complaint, which alleges three counts against Defendant.[2] Plaintiff claims Defendant infringed, continues to infringe, and induced infringement of the '151 patent associated with Defendant's SubFinder products ("Count I"). Id. ¶¶ 37-39. Plaintiff claims Defendant infringed, continues to infringe, and induced infringement of the '519 patent with Defendant's SubFinder products ("Count II"). Id. ¶¶ 45-47. And Plaintiff claims Defendant breached the License Agreement ("Count III").

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[1] The Court refers to the reexamined '151 patent and its claims as the "'151 patent."

[2] The counts are not numbered in the Amended Complaint. For ease of identification, the Court will number the counts.

Plaintiff seeks declaratory and injunctive relief and damages. Id. at 9-10.

On February 3, 2010, Defendant filed an Amended Answer and Counterclaims ("Answer") that raises various affirmative defenses and counterclaims, states that Plaintiff has breached the License Agreement, and denies all claims for infringement of the '151 and '519 patents.[3] Defendant requests declaratory and injunctive relief and damages. Answer 16-17, ECF No. 36.

On February 23, 2010, Plaintiff filed an amended reply denying Defendant's counterclaims and asserting various affirmative defenses.

On February 8, 2011, the Court issued an order and accompanying memorandum construing certain disputed claim terms.

[3] Defendant asserts seven counterclaims. Answer 12-16. Defendant seeks a declaratory judgment that Defendant did not infringe the '151 patent ("Counterclaim I"). Defendant seeks a declaratory judgment that the '151 patent is invalid ("Counterclaim II"). Defendant seeks a declaratory judgment that it has not infringed the '519 patent ("Counterclaim III"). Defendant seeks a declaratory judgment that the '519 patent is invalid ("Counterclaim IV"). Defendant seeks a declaratory judgment that it did not breach the License Agreement for the '151 patent ("Counterclaim V"). Defendant claims Plaintiff wrongfully terminated the License Agreement ("Counterclaim VI"). And Defendant claims Plaintiff breached the License Agreement by failing to accord Defendant most-favored nation treatment and to reduce the royalty obligation of Defendant and its sublicensees in accordance with paragraph 3.3 of the License Agreement ("Counterclaim VII").

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