

UNITED STATES PATENT AND TRADEMARK OFFICE

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BEFORE THE PATENT TRIAL AND APPEAL BOARD

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CME GROUP, INC.,  
Petitioner,

v.

VOLATILITY PARTNERS, LLC,  
Patent Owner.

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Case CBM2016-00024  
Patent RE43,435 E

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Before MICHAEL W. KIM, TRENTON A. WARD,  
and KEVIN W. CHERRY, *Administrative Patent Judges*.

WARD, *Administrative Patent Judge*.

DECISION<sup>1</sup>

Denying Institution of Covered Business Method Patent Review  
*37 C.F.R. § 42.208*

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<sup>1</sup>A sealed “Parties and Board Only” version of this “Decision Denying Institution of Covered Business Method Patent Review” (“Decision”) was issued on June 30, 2016. Upon notice, neither party elected to file a Motion to Seal portions of this decision. Accordingly, the seal is lifted and the June 30, 2016 Decision is made public.

## I. BACKGROUND

CME Group, Inc. (“Petitioner”) filed a Petition (Paper 4, “Pet.”) seeking a covered business method patent review of claims 1–50 (the “challenged claims”) of U.S. Patent No. RE43,435 E (Ex. 1001, “the ’RE435 patent”).<sup>2</sup> Volatility Partners, LLC (“Patent Owner”) filed a Preliminary Response. Paper 10.<sup>3</sup> We have jurisdiction under 35 U.S.C. § 324, which provides that a post-grant review may not be instituted “unless . . . the information presented in the petition . . . would demonstrate that it is more likely than not that at least 1 of the claims challenged in the petition is unpatentable.”

After considering the Petition and Preliminary Response, and accompanying exhibits, we determine that Petitioner does not have standing to file a Petition for a covered business method review of the ’RE435 patent under § 18(a)(1)(B) of the Leahy-Smith America Invents Act (“AIA”)<sup>4</sup> and 37 C.F.R. § 42.302. Accordingly, we deny institution of a covered business method patent review of the challenged claims of the ’RE435 patent.

## II. ANALYSIS

### A. *Standing*

Standing to file a covered business method patent review is a threshold issue. Under § 18(a)(1)(B) of the AIA,

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<sup>2</sup> A redacted version of the Petition was also filed. Paper 1.

<sup>3</sup> Patent Owner also filed a public version of its Preliminary Response (Paper 12, Attachment A).

<sup>4</sup> Pub. Law 112–29, 125 Stat. 284, 330 (Sept. 16, 2011).

CBM2016-00024  
Patent RE43,435 E

A person may not file a petition for a transitional proceeding with respect to a covered business method patent unless the person or the person's real party in interest or privy has been sued for infringement of the patent or has been charged with infringement under that patent. Charged with infringement means a real and substantial controversy regarding infringement of a covered business method patent exists such that the petitioner would have standing to bring a declaratory judgment action in Federal court.

37 C.F.R. § 42.302(a); *see also* 37 C.F.R. §§ 42.206, 42.304(a) (trial rules on standing in a covered business method review). A petition for covered business method review must set forth the petitioner's grounds for standing. 37 C.F.R. § 42.304(a). Rule 42.304(a) states it is Petitioner's burden to "demonstrate that the patent for which review is sought is a covered business method patent, and that the petitioner meets the eligibility requirements of § 42.302." *Id.*

As the Office explained in comments to the Final Rules governing covered business method patent review:

To establish standing, a petitioner, at a minimum, would be required *to certify with explanation* that the patent is a covered business method patent and that the petitioner meets the eligibility requirements of § 42.302. This requirement is to ensure that a party has standing to file the covered business method patent review and would help prevent spuriously instituted reviews. *Facially improper standing is a basis for denying the petition without proceeding to the merits of the decision.*

Changes to Implement Inter Partes Review Proceedings, Post-Grant Review Proceedings, and Transitional Program for Covered Business Method Patents, 77 Fed. Reg. 48,680, 48,709 (Aug. 14, 2012) (Response to Comment 102; emphases added). Consequently, the petition must show that the petitioner meets the requirements of 37 C.F.R. § 42.302, and such "[a] showing can only be made through sufficient proof." *Id.* (Response to

CBM2016-00024  
Patent RE43,435 E

Comment 106). For example, in *Global Tel\*Link Corp. v. Securus Technologies, Inc.*, Case CBM2014-00166, slip op. at 9 (PTAB Feb. 17, 2015) (Paper 17), the Board denied institution of a covered business method review based on the determination that Petitioner’s assertion of standing in the Petition was not supported sufficiently by proof in the Petition.

For the reasons discussed below, we determine that the Petition fails to proffer sufficient proof to support Petitioner’s standing to file the request for a covered business method review.

### *B. The License Agreement*

U.S. Patent Number 7,328,184 (“the ’184 patent”) issued on February 5, 2008. Ex. 2001. On February 17, 2010 Patent Owner entered into a Patent License Agreement (“License Agreement”) for the ’184 patent with Chicago Mercantile Exchange, Inc. (“CMEI”), a party designated by Petitioner as a real party-in-interest in this proceeding. Prelim. Resp. 2; Pet. 1, 4; Ex. 1004.

The License states that “Licensor [Patent Owner] hereby grants Licensee [CMEI] a nonexclusive license to (a) make, have made, use, sell, offer for sale and import products embodying or made in accordance with *the inventions claimed in the VolContracts™ Patent. . .*” Ex. 1004, 2 (emphasis added). The License defines the term “VolContracts™ Patent” as follows: “WHEREAS, Krause was issued U.S. patent No. 7,328,184 B1, entitled ‘FINANCIAL INSTRUMENTS, SYSTEM, AND EXCHANGES (FINANCIAL, STOCK, OPTION AND COMMODITY) BASED UPON REALIZED VOLATILITY,’ on February 5, 2008 (‘VolContracts™ Patent’).” *Id.* at 1.

After entering into the License Agreement for the ’184 patent, Patent

CBM2016-00024  
Patent RE43,435 E

Owner filed a reissue application on March 16, 2010. Ex. 1001. The reissue application ultimately issued as the 'RE435 patent on May 29, 2012.

Ex. 1001.

### *C. Petitioner's Contentions*

Petitioner argues that as a result of the License Agreement between Petitioner and Patent Owner, and the current activities of the Petitioner in offering financial instruments based upon realized volatility, there is a real and substantial controversy such that Petitioner would have standing to raise a declaratory judgment of invalidity. Pet 5 (citing *MedImmune, Inc. v. Genentech, Inc.*, 549 U.S. 118 (2007); *Powertech Tech. Inc. v. Tessera, Inc.*, 660 F.3d 1301, 1309 (Fed. Cir. 2011)). Specifically, Petitioner argues that because the 'RE435 patent was filed more than two years after the issuance of the '184 patent, the claims of the 'RE435 patent can contain only subject matter commensurate with or narrower than the scope of the '184 patent. Pet. 3–4. Furthermore, Petitioner argues that because the License Agreement licenses “the inventions claimed in” the '184 patent, all of the claims of the 'RE435 patent are within the scope of the License Agreement as they are within the scope of the inventions claimed in the '184 patent. *Id.* Petitioner additionally argues that it currently offers for sale Realized Volatility trades on currency derivatives, including two “EUR/USD Realized Volatility Futures Contracts.” Pet. 4 (citing Declaration of Julie Winkler (“Winkler Decl.”), ¶ 4).

### *D. Patent Owner's Contentions*

Patent Owner argues that Petitioner lacks standing because the mere existence of a license that the licensee is not practicing, and for which the licensor is not demanding royalties, is not sufficient to confer declaratory

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