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UNITED STATES DISTRICT COURT
CENTRAL DISTRICT OF CALIFORNIA

Phoenix Solutions, Inc.,

Plaintiff,

vs.

The DirecTV Group, Inc.,

Defendant.

CASE NO. CV 08-984 MRP (SSx)

**STATEMENT OF
UNCONTROVERTED FACTS AND
CONCLUSIONS OF LAW**

Plaintiff Phoenix Solutions, Inc. (“Phoenix”) brought this patent infringement action against Defendant The DirecTV Group, Inc. (“DirecTV”) for infringement of patents relating to speech processing technology. Phoenix alleged that DirecTV’s operation of a natural language interactive voice response system infringes six claims of four U.S. patents. The Court granted Defendant DirecTV’s Motion for Summary Judgment of Noninfringement on September 30, 2009. The Court ordered DirecTV to prepare a revised Statement of Uncontroverted Facts and Conclusions of Law and allowed Phoenix an opportunity to object.

After careful review of the parties’ statement and objections, the Court adopts the following statements of uncontroverted facts and conclusions of law.

UNCONTROVERTED FACTS

1
2 1. The parties have not challenged either venue or this Court’s
3 jurisdiction.

4 2. The Court has subject matter jurisdiction under 28 U.S.C. § 1338(a).

5 3. This District is a proper venue for this infringement dispute under 28
6 U.S.C. § 1400(b).

7 4. U.S. Patent No. 6,615,172 issued on September 2, 2003. U.S. Patent
8 No. 6,615,172, Ex. A.¹

9 5. U.S. Patent No. 7,139,714 issued on November 21, 2006. U.S. Patent
10 No. 7,139,714, Ex. C.

11 6. U.S. Patent No. 7,225,125 issued on May 29, 2007. U.S. Patent No.
12 7,225,125, Ex. B.

13 7. U.S. Patent No. 7,050,977 issued on May 23, 2006. U.S. Patent No.
14 7,050,977, Ex. D.

15 8. Claim 1 of U.S. Patent No. 6,615,172 reads:

16 A speech query recognition system comprising:

17 a continuous speech recognition engine for generating recognized
18 words taken from an articulated speech utterance;

19 a natural language engine configured [for] generating a first linguistic
20 analysis of said recognized words, including an identification of any word
21 phrases present in said recognized words;

22 a query formulation engine adapted to convert said recognized words
23 and said word phrases into a structured query suitable for locating matches
24 for said articulated speech utterance;

25 wherein said first linguistic analysis is used to identify a candidate set
26 of potential matches for said speech utterance;

27 said natural language engine further being configured for:
28

¹ Throughout the brief, “Ex.” denotes DirecTV’s exhibits attached to the first Declaration and Supplemental Declaration of David A. Sergenian.

1 (i) generating one or more second linguistic analyses of words
2 contained in said candidate set of potential matches; and

3 (ii) comparing said first linguistic analysis with each of said one or
4 more second linguistic analyses to identify a best match for said speech
utterance in real time.

5 U.S. Patent No. 6,615,172, Ex. A.

6 9. Claim 1 of U.S. Patent No. 7,139,714 reads:

7 A method of performing recognition of a speech utterance at a network server
8 system comprising the steps of:

9 a) evaluating an amount of computing resources available at the
10 network server system for performing speech recognition operations on
speech related data;

11 b) specifying a first set of speech recognition operations to be
12 performed by the network server system on said speech related data in
response to step (a);

13 c) receiving first speech data through a communications interface of
14 the network server system, said first speech data being associated with a
partial recognition of the speech utterance completed by a client device;

15 d) completing recognition of the speech utterance using software
16 routines executing at the network server system which implement said first
set of speech recognition operations.

17 U.S. Patent No. 7,139,714, Ex. C.

18 10. Claim 19 of U.S. Patent No. 7,139,714 reads:

19 A system for performing recognition of a speech utterance at a network
20 server system comprising:

21 a) first routine adapted to evaluate an amount of computing resources
22 available at the network server system for performing speech recognition
operations on speech related data;

23 [b)] wherein a first set of speech recognition operations are performed
24 by the network server system on said speech related data in response to step
(a);

25 c) a second routine adapted to receive first speech data through a
26 communications interface of the network server system, said first speech data
being associated with a partial recognition of the speech utterance completed
by a client device;

27 d) a third routine adapted to complete recognition of the speech
28 utterance based on said first set of speech recognition operations.

1 U.S. Patent No. 7,139,714, Ex. C.

2 11. Claim 1 of U.S. Patent No. 7,225,125 reads:

3 A method of optimizing recognition of a speech utterance from a user with a
4 distributed speech processing system comprising the steps of:

5 (a) training one or more speech recognition models for recognizing
6 speech utterances in a first natural language in a first training operation;

7 wherein said speech recognition models are implemented as part of a
8 speech recognition engine executing on a network server system of the
9 distributed speech processing system;

10 wherein said first training operation is based on samples of speech
11 from a group of persons employing said first natural language and which are
12 communicated over a network to the distributed speech processing system
13 from geographic regions served by the distributed speech processing system,
14 such that said speech recognition models are derived and constituted at least
15 in part at said network server system;

16 wherein recognition of speech utterances during a speech recognition
17 process is optimized for a geographic region by using one or more speech
18 models which include variants of words to be uttered by users of the
19 distributed speech processing system;

20 (b) configuring a set of speech recognition operations to be performed
21 by the network server system based on computing resources available to such
22 system.

23 U.S. Patent No. 7,225,125, Ex. B.

24 12. Claim 21 of U.S. Patent No. 7,225,125 reads:

25 A speech processing system for recognizing a speech utterance from a user
26 comprising:

27 (a) speech recognition engine;

28 wherein said speech recognition engine executes on a network server
system of a distributed speech processing system;

(b) one or more speech recognition models useable by the speech
recognition engine for recognizing speech utterances in a first language;

wherein said one or more speech recognition models have been trained
to include additional samples of speech from a group of persons employing
said first language that have provided such additional samples over a network
to the distributed speech processing system from geographic regions served
by the distributed speech processing system such that said speech recognition
models are derived and constituted at least in part at said network server
system;

1 further wherein recognition of speech utterances by the speech
2 recognition engine is optimized for a geographic region by using one or more
3 speech models which include variants of words to be uttered by users of the
distributed client-server system;

4 (c) configuring a set of speech recognition operations to be performed
5 by the network server system for recognizing said speech utterances based on
6 computing resources available to such system.

7 U.S. Patent No. 7,225,125, Ex. B.

8 13. Claim 1 of U.S. Patent No. 7,050,977 reads:

9 A speech-enabled internet website operating on a server computing system
10 and comprising:

11 a receiving routine executing on the server computing system for
12 receiving speech data associated with a user speech-based query, said speech
13 data being characterized by a data content that is substantially inadequate by
14 itself for permitting recognition of words articulated in said speech query;
15 and

16 a speech recognition routine executing on the server computing system
17 for completing recognition of said speech query using said speech data and
18 said data content to generate a recognized speech query; and

19 a web page having a list of items, at least some of said list of items
20 being selectable by a user based on said recognized speech query;

21 wherein signal processing functions required to generate said
22 recognized speech query can be allocated between a client platform and the
23 server computing system as needed based on computing resources available
24 to said client platform and server computing system respectively.

25 U.S. Patent No. 7,050,977, Ex. D.

26 14. Phoenix's asserted patent claims encompass speech recognition
27 systems, speech recognition methods, and speech-enabled websites. For example,
28 the asserted claims include the following elements:

- "a speech recognition engine executing on a network server system" ('125 Patent, claim 1);
- "distributed speech processing system" (*id.*);
- "configuring a set of speech recognition operations to be performed by the network server system based on computing resources available to such system" (*id.*);
- "a continuous speech recognition engine" ('172 Patent, claim 1);
- "a first linguistic analysis" (*id.*);

- 1 • “completing recognition of the speech utterance using software routines
2 executing at the network server system” (‘714 Patent, claim 1);
- 3 • “a receiving routine executing on the server computing system for
4 receiving speech data” (‘977 Patent, claim 1);
- 5 • “completing recognition” (*id.*); and
- 6 • “signal processing functions required to generate said recognized speech
7 query can be allocated between a client platform and the server computing
8 system as needed based on computing resources available” (*id.*).

9 Exs. A-D.

10 15. Phoenix alleges direct infringement of U.S. Patent Nos. 6,615,172,
11 7,139,714, 7,225,125, and 7,050,977 by DirecTV’s “operating (and/or directing and
12 causing third parties to operate) an IVR [interactive voice response] system.” Ex.
13 E, Amended Complaint, *passim*. Phoenix does not allege indirect infringement.

14 16. Phoenix accuses DirecTV of establishing and operating a “website and
15 a number of customer support lines . . . that employ a natural language interactive
16 voice response (IVR) system.” *Id.* at ¶ 7. Together, these are referred to as the
17 “Accused Technology.”

18 17. The Accused Technology works as follows. When a customer calls a
19 DirecTV, Inc. toll-free number, the telephone company routes the call to West
20 Interactive Corporation (“West”). West’s voice response unit (“VRU”) answers the
21 call and sends the audio to the speech recognition server to perform speech
22 recognition. Declaration of Craig Webster (“Webster Decl.”), ¶ 4.

23 18. West and its vendors, without input from The DirecTV Group, Inc. or
24 DirecTV, Inc. (collectively referred to herein as “DirecTV”), are responsible for
25 choosing, configuring, and operating the architecture, hardware, and speech
26 recognition software relating to the Accused Technology. Webster Decl., ¶¶ 6-10;
27 Declaration of Michael Uhlenkamp (“Uhlenkamp Decl.”), ¶¶ 5-8.

28 19. West uses hardware and software from various vendors, including
Nuance Communications, Inc., (“Nuance”), which provides the speech recognition

1 software. Webster Decl., ¶ 8.

2 20. The Accused Technology resides at West, not DirecTV. Webster
3 Decl., ¶ 13; Uhlenkamp Decl., ¶ 10.

4 21. DirecTV had no role in choosing or configuring West's architecture,
5 hardware, or any of the speech recognition software that is part of the Accused
6 Technology. Webster Decl., ¶¶ 6-10; Uhlenkamp Decl., ¶¶ 5-8.

7 22. DirecTV does not have access to the Accused Technology.
8 Uhlenkamp Decl., ¶ 11.

9 23. DirecTV, Inc. has out-sourced IVR Services to West for many years.
10 Uhlenkamp Decl., ¶ 3. In the early years, West provided IVR services to DirecTV
11 customers that included only touch tone functionality. *Id.* Later, West provided
12 IVR services that included touch tone and limited directed dialogue functionality,
13 but not natural language capability. *Id.* In April 2006, West added a form of
14 natural language technology to process some of DirecTV's customers' calls. *Id.*
15 This natural language technology allows customers to respond to an open-ended
16 prompt that asks customers to state the reason for their call. *Id.*

17 24. West has been providing IVR services to DirecTV, Inc. customers
18 since 1995 through a series of agreements, the latest of which was signed in 2004
19 and has been amended since. Uhlenkamp Decl., Ex. A. The contract provides that
20 West is an independent contractor to DirecTV. *Id.* at 10, ¶ E. West and DirecTV
21 are both principals; neither is an agent of the other. *Id.* The contract also states that
22 "West's pre-existing proprietary software processes, methods or techniques . . .
23 belong exclusively to West." *Id.* at 8, ¶ IX. The contract states that "West's
24 computer system software operating the IVR Services and all proprietary and
25 confidential data and information related thereto constitute Confidential Information
26 of West" *Id.* at 7, ¶ B.

27 25. West is a subsidiary of West Corporation, a provider of outsourced
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1 communication solutions. West provides systems to many customers. These
2 solutions include touch tone, directed dialogue speech recognition, natural language
3 speech recognition and other IVR services. West develops and operates IVR
4 services in a diverse range of industries, including finance, telecommunications,
5 travel, transportation, utilities, healthcare, cable/satellite, entertainment and retail.
6 Webster Decl., ¶ 3.

7 26. West provides IVR services to numerous customers in addition to
8 DirecTV, Inc. To provide these services for many of its other customers, West uses
9 the same architecture, hardware, and speech recognition software that it uses for
10 DirecTV, Inc. Webster Decl., ¶ 5.

11 27. DirecTV, Inc. provides business objectives for West's IVR
12 programming. Uhlenkamp Decl., ¶ 12.

13 28. DirecTV, Inc. explained to West, for example, that it wanted its
14 customers to be able to place calls to order movies. *Id.*

15 29. DirecTV, Inc. also provides the business rules supporting those
16 objectives. For example, when customers say they want to order movies, DirecTV,
17 Inc. asked West to route the call flow to the pay-per-view IVR software
18 functionality and ask a series of questions regarding their movie order. As a further
19 example of a business rule, DirecTV, Inc. told West its customers may call
20 regarding the "b-band converter" (a hardware device that allows customers to view
21 High Definition channels) and that such customers should be transferred to an
22 agent. *Id.* at ¶ 13.

23 30. DirecTV, Inc. sometimes formalizes these business objectives and
24 rules in Initial Scopes of Work. In connection with these business objectives and
25 rules, DirecTV, Inc. provides West access to business-specific data such as
26 customer billing information and movie titles. *Id.* at ¶¶ 14-17.

27 31. West designs and implements DirecTV, Inc.'s business rules into IVR
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1 software program modules to run on West’s multi-tenant architecture, hardware and
2 speech recognition software. *Id.* at ¶¶ 5, 15.

3 32. West sometimes documents this work in the form of specifications.
4 The specifications contain information regarding various functionality such as the
5 steps required to complete tasks, call flow (i.e., the steps callers experience based on
6 the selections they make), and scripting (i.e., the exact verbiage of the prompts). In
7 some instances, DirecTV, Inc. then approves these specifications and then tests the
8 final product before West uses it for actual calls. *Id.* at ¶¶ 15, 16.

9 33. The asserted claims relate to speech recognition systems, speech
10 recognition methods, and speech-enabled websites – all of which for the Accused
11 Technology (if present) are owned or licensed by West, all of which (if present) are
12 located at West facilities, some of which are proprietary to West, and none of which
13 are directed or controlled by DirecTV. Webster Decl., ¶¶ 11, 12, 13; Uhlenkamp
14 Decl., ¶ 10; Ex. A, U.S. Patent No. 6,615,172, claim 1; Ex. B, U.S. Patent No.
15 7,225,125, claims 1 and 21; Ex. C; U.S. Patent No. 7,139,714, claims 1 and 19; Ex.
16 D, U.S. Patent No. 7,050,977, claim 1.

17 34. Even assuming the Accused Technology contained a continuous
18 speech recognition engine, natural language engine, and query formulation engine,
19 those claim elements concern the kind of architectural and system design decisions
20 that West decides without input from DirecTV. Uhlenkamp Decl., ¶¶ 5-8; Webster
21 Decl., ¶¶ 6-10.

22 35. Even assuming the speech recognition software performed certain
23 claim elements, such as “linguistic analyses,” used a structured query to locate
24 matches, identified a candidate set of potential matches, and sought to find a “best
25 match,” DirecTV had no role in determining how West’s speech recognition
26 software processes and recognizes speech. Uhlenkamp Decl., ¶ 8; Webster Decl.,
27 ¶ 9.

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1 36. Phoenix admits that the Accused Technology is “a hosted service from
2 West Interactive with speech recognition technology from Nuance
3 Communications.” Ex. F at 3.

4 37. West chose how to configure and then configured its architecture,
5 hardware, and speech recognition software, not DirecTV. For example, West chose
6 whether and how to use Nuance speech recognition software, not DirecTV.
7 DirecTV has never used Nuance’s speech recognition software, and has never
8 exercised any direction or control over how West uses it. Uhlenkamp Decl., ¶¶ 5-8;
9 Webster Decl., ¶¶ 6-10.

10 38. West purchased the “telephony hardware” and other hardware that
11 Phoenix accuses of infringement, and DirecTV has no role in directing or
12 controlling what hardware West uses or how West uses such hardware. Uhlenkamp
13 Decl., ¶ 6; Webster Decl., ¶ 7.

14 39. West alone decided whether and how to distribute speech recognition
15 operations. Uhlenkamp Decl., ¶ 5; Webster Decl., ¶ 10.

16 40. DirecTV had no input into the distribution decision and does not direct
17 or control where or how speech recognition is performed. Uhlenkamp Decl., ¶¶ 5,
18 8; Webster Decl., ¶¶ 9-10.

19 41. All portions of the Accused Technology that are alleged to be part of
20 the claimed distributed speech recognition system reside at West, not DirecTV,
21 facilities. Uhlenkamp Decl., ¶ 10; Webster Decl., ¶ 13.

22 42. Even assuming the Accused Technology performed the claim element
23 related to evaluating resources available for performing speech recognition
24 operations, West alone chose and configured its architecture, hardware, and speech
25 recognition software – including whether to deploy a distributed architecture with a
26 client platform and serving computing system, whether to assess computing
27 resource availability, and whether to allocate resources based on computing
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1 resources available. DirecTV had no input into this decision. Uhlenkamp Decl., ¶
2 5; Webster Decl., ¶ 10.

3 43. The training of statistical language models is a speech-recognition
4 specific task that falls within West's or Nuance's domain and expertise, and
5 DirecTV does not direct or control such tasks. Uhlenkamp Decl., ¶ 8; Webster
6 Decl., ¶ 9.

7 44. Phoenix admits that the features of the Accused Technology alleged to
8 infringe the essential elements of the '125 Patent claims are features that other third
9 parties direct or control. Ex. F at 7-8.

10 45. DirecTV has no role in deciding which speech recognition software is
11 used and whether or how any such software uses speech models. Uhlenkamp Decl.,
12 ¶ 8; Webster Decl., ¶ 9.

13 46. Although DirecTV, Inc. has a website, it is not speech-enabled.
14 Uhlenkamp Decl., ¶ 18.

15 47. DirecTV does not have software or hardware that converts digitized
16 speech data into a recognized speech query and does not direct or control the way
17 West performs such functions with respect to the IVR technology. Uhlenkamp
18 Decl., ¶ 9; Webster Decl., ¶¶ 6-10.

19 48. DirecTV, Inc. outsourced to West IVR-related business issues – such
20 as how to recognize speech, where to recognize speech, what to do once speech is
21 recognized, what type of architecture to employ, what types of hardware to use,
22 how to use the hardware, what types of software to use, how to use the software,
23 etc. West was responsible for the “design, develop[ment], program[ming]
24 and...implement[ation]” of the IVR and its “day-to-day operation.” Uhlenkamp
25 Decl., Ex. A at 21-22, ¶¶ B6.1, 6.2(a).

26 49. There is only one speech call-processing platform – and it is West's.
27 Phoenix cites the fact that DirecTV advertises the IVR as its own so as not to
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1 confuse customers. Phoenix Opp. 1, 5, 13 (citing Trojan Decl., Ex. 12). But it is
2 irrelevant that DirecTV has referred to West's speech call-processing platform as
3 "DirecTV's." However, calling it "DirecTV's IVR" says nothing about whether
4 DirecTV directed or controlled the architecture, hardware, or speech recognition
5 software relating to Phoenix's patent claims.

6 50. The fact that DirecTV and West have a good client-vendor relationship
7 does not make them partners in the Accused Technology in general, or with regard
8 to performing the particular claimed patent elements. Phoenix points to a 2006
9 magazine article interview to support its argument that the relationship between
10 DirecTV and West is a "partnership." Phoenix Opp'n. at 15 (citing Trojan Decl.,
11 Ex. 8). The West/DirecTV contract clearly states that West is a vendor and that the
12 parties are not in a partnership. Uhlenkamp Decl., Ex. A at 10, ¶ E. Moreover, the
13 article confirms that DirecTV outsourced IVR Services to West because West
14 knows IVR technology and DirecTV simply provides input regarding business rules
15 and other business information that are unrelated to Phoenix's asserted claims.
16 Trojan Decl., Ex. 8.

17 51. DirecTV provided West with requirements for how it should be
18 informed when particular customers ordered certain equipment. However, these
19 requirements do not establish that DirecTV directed or controlled the accused
20 infringing systems.

21 52. DirecTV and West participated in meetings where the progress of the
22 IVR system and development and implementation was discussed. However, this
23 does not establish direction or control over the claimed technology. DirecTV's
24 responsibilities with respect to the IVR system development and implementation are
25 unrelated to the asserted speech recognition system, speech recognition method, and
26 speech-enabled website claims.

1 53. The fact that DirecTV provides certain business rules to West does not
2 establish that DirecTV has control over the Accused Technology. Phoenix claims
3 that the business rules are the “brains” of the IVR, and by controlling the brains
4 DirecTV is liable. Pl.’s Opp’n at 6. DirecTV provided business rules to West
5 regarding how it wanted West to handle DirecTV customers. West’s Application
6 Development team coded the Program Logic – the DirecTV-specific module – to
7 accord with these business rules. Ex. I, Webster Dep. 84:2-85:3, 13:15-21, 16:3-6,
8 18:11-15, 33:16-18.

9 54. The business rules do not relate to Phoenix’s patent claims. Business
10 rules impact the Program Logic on the West VRU. *Id.* The Program Logic does
11 not relate to a “distributed speech processing system,” “configuring speech
12 recognition operations . . . based on computing resources available,” etc. of the
13 asserted claims.

14 55. The fact that DirecTV participated in business rule tagging does not
15 establish direction or control over the Accused Technology. Phoenix argues that
16 DirecTV’s purported control over how utterances are tagged is the “heart” of the
17 IVR. Pl.’s Opp’n at 6-7. However, Phoenix’s asserted claims do not encompass
18 tagging.

19 56. DirecTV did not direct or control West’s selection of Nuance software.
20 Phoenix alleges that “West was required to present emerging technologies for
21 DirecTV’s “consideration and approval, including presenting and explaining the
22 latest version of Nuance [speech recognition software].” Pl.’s Opp’n at 14 (citing
23 Webster Dep. 66:17-67:20).

24 Mr. Webster testified that West stays up to date and informs DirecTV, that it
25 is doing so. That is why West told DirecTV that West was considering the next
26 version of the Nuance software – and DirecTV did not comment. Ex. I, Webster
27 Dep. 66:17-67:23.

28

1 Moreover, West started using Nuance recognition software before DirecTV
2 even became a speech customer of West. Ex. I, Webster Dep. 84:2-85:3, 13:15-21,
3 16:3-6, 18:11-15, 33:16-18. And West developed its existing speech platform using
4 Nuance 8.5 and provided natural language recognition before DirecTV became a
5 customer of the platform. *Id.*; *see also* Ex. J, Fisher Dep. 118:18-21, 211:8-9.

6 The facts are undisputed that West chose Nuance without any input from
7 DirecTV. Webster Decl. ¶ 8; *see also* Ex. I, Webster Dep. 39:16-23 (West's Jacob
8 Ginsburg sets the Nuance software parameters); Ex. M, Ginsburg Dep. 18:24-19:2.

9 57. DirecTV had no input into West's accused architecture or hardware
10 decisions regarding call allocation. Phoenix alleges that DirecTV "allocates calls."
11 Pl.'s Opp'n at 7-8 (citing Uhlenkamp Dep. at 115-18, Trojan Ex. 22, 26). Phoenix's
12 evidence confirms that DirecTV simply provides business rules to West unrelated to
13 Phoenix's claims.

14 Mr. Uhlenkamp's deposition testimony relates to how West and DirecTV
15 decided to move DirecTV's customers' calls from the old call-processing platform,
16 which provided only directed dialogue, to West's new, natural language call-
17 processing platform. The testimony shows that instead of sending all DirecTV
18 customer calls to the new platform as soon as it became available, West and
19 DirecTV instead decided to move a certain percentage of customer calls to the new
20 platform each week in case there were problems on the new platform. Ex. L,
21 Uhlenkamp Dep. 115:18-117:6. This business decision to phase in the new
22 platform is entirely unrelated to Phoenix's patent claims, including the claim about
23 allocating speech recognition operations based on computing resources available.

24 Exhibit 26 refers to "Memorial Day Routing" and indicates that new
25 messaging was developed for use on Memorial Day to support reduced call-center
26 staffing. That DirecTV established business rules to route calls to certain live
27 operators on Memorial Day is unrelated to Phoenix's claims.

28

1 Exhibit 22 is a DirecTV Initial Scope of Work. The Executive Summary
2 shows that DirecTV wanted to prevent high valued customers from terminating
3 service, and therefore, these calls were to be routed to particular live operators.
4 Phoenix's patents do not claim such call transferring to live operators.

5 58. West alone is responsible for grammars and tuning without DirecTV
6 involvement. Phoenix argues that DirecTV controls grammars and tuning. Pl.'s
7 Opp'n at 15. However, Phoenix's asserted claims do not include limitations
8 relating to grammars or tuning.

9 59. Phoenix argues that DirecTV directs and controls the IVR because
10 DirecTV uses an "IVR Digital Dashboard." *Id.* at 7. DirecTV's ability to change
11 certain business rules via the Digital Dashboard does not relate to the asserted
12 patent claims.

13 The Digital Dashboard is an internal administrative tool that allows West to
14 provide IVR reporting to DirecTV. Ex. L, Uhlenkamp Dep. 194:13-195:25. The
15 tool also provides DirecTV with limited functionality to alter the way its customers
16 are handled when they call customer service. In particular, the tool allows DirecTV
17 to engage special messaging and toggle certain business rules on and off. *Id.*
18 Special messaging allows DirecTV the ability to have West play particular
19 messages to customers when they call. *Id.* at 198:1-203:22. Toggling certain
20 business rules on and off allows DirecTV to transfer particular callers directly to
21 certain live agents. *Id.* at 203:23-205:20.

22 DirecTV's access to the Digital Dashboard does not allow DirecTV to control
23 any aspect of West's speech recognition components or any other part of West's
24 call-processing platform. *Id.* at 197:2-13; *see also* Ex. J, Fisher Dep. 237:16-
25 238:24.

26 60. The fact that DirecTV tests and approves the program after making
27 sure that it adequately accounts for DirecTV's business rules is unrelated to any
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1 element of Phoenix's asserted claims. Phoenix argues that DirecTV approves and
2 tests West's work. Pl.'s Opp'n at 14-15. However, DirecTV does not test or
3 approve how West deploys its multi-tenant speech call-processing platform, the
4 Accused Technology.

5 Phoenix cites Trojan Exhibits 2 and 30. Those documents relate to the testing
6 of the Program Logic's compliance with DirecTV's business rules, which is
7 unrelated to Phoenix's claims. DirecTV never approves anything "pertaining to the
8 platform." Ex. J, Fisher Dep. 305:10-18.

9 Moreover, those documents simply indicate that West and DirecTV
10 sometimes followed a work process whereby DirecTV submitted business rules;
11 West wrote the specifications; and DirecTV approved the specifications and
12 ultimately tested and certified the program to go live. *See also* Ex. L, Uhlenkamp
13 Dep. 161:10-19.

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1 CONCLUSIONS OF LAW

2 1. The Court has personal jurisdiction over the parties. Plaintiff Phoenix
3 Solutions, Inc. ("Phoenix") is a corporation organized under the laws of the State of
4 California. Defendant The DirecTV Group, Inc. has its principal place of business
5 in the State of California.

6 2. Phoenix makes claims of patent infringement and therefore this Court
7 has subject matter jurisdiction over this action under 28 U.S.C. §§ 1331 and
8 1338(a).

9 3. This District is a proper venue for this infringement dispute under
10 28 U.S.C. § 1400(b).

11 4. Summary judgment is appropriate "if the pleadings, the discovery and
12 disclosure materials on file, and any affidavits show that there is no genuine issue as
13 to any material fact and that the movant is entitled to judgment as a matter of law."
14 Fed. R. Civ. P. 56(c). "In determining whether there is a genuine issue of material
15 fact, the evidence must be viewed in the light most favorable to the party opposing
16 the motion, with doubts resolved in favor of the opponent." *Chiuminatta Concrete*
17 *Concepts, Inc. v. Cardinal Indus., Inc.*, 145 F.3d 1303, 1307 (Fed. Cir. 1998), *see*
18 *also Anderson v. Liberty Lobby, Inc.*, 477 U.S. 242, 255 (1986). However, for the
19 non-moving party to prevail, there must be evidence sufficient to allow a reasonable
20 jury to return a verdict in favor of the non-moving party. *Anderson*, 477 U.S. at
21 248.

22 5. Material facts are "facts that might affect the outcome of the suit under
23 the governing law." *Anderson*, 477 U.S. at 248. A dispute about a material fact is
24 "genuine" only if "the evidence is such that a reasonable jury could return a verdict
25 for the nonmoving party." *Id.*

26 6. Summary judgment also "necessarily implicates the substantive
27 evidentiary standard of proof that would apply at the trial on the merits." *See id.* at
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1 252-55 (“Whether a jury could reasonably find for either party . . . cannot be
2 defined except by the criteria governing what evidence would enable the jury to find
3 for either the plaintiff or the defendant . . .”). The burden of the moving party is
4 “to show initially the absence of a genuine issue concerning any material fact.”
5 *Celotex Corp. v. Catrett*, 477 U.S. 317, 325 (1986). If the moving party meets this
6 burden, then the non-moving party must “go beyond the pleadings” and designate
7 “specific facts showing that there is a genuine issue for trial.” *Id.* at 324.

8 7. “If the evidence [in opposition to summary judgment] is merely
9 colorable, or is not significantly probative, summary judgment may be granted.” *Id.*
10 at 249-50 (citations omitted).

11 8. A party who “without authority makes, uses, offers to sell, or sells any
12 patented invention” is liable for patent infringement under 35 U.S.C. § 271(a).

13 9. A defendant must “perform or use *each and every step or element* of a
14 claimed method or product” to be liable for direct infringement. *BMC Resources,*
15 *Inc. v. Paymentech, Inc.*, 498 F.3d 1373, 1378, 1381 (Fed Cir. 2007) (emphasis
16 added) (“Direct infringement is a strict-liability offense, but it is limited to those
17 who practice *each and every element* of the claimed invention.”) (emphasis added)).

18 10. A defendant that does not directly infringe, but encourages or
19 participates in infringement by others may be liable for indirect infringement,
20 governed by 25 U.S.C. § 271(b) (inducement to infringement) and § 271(c)
21 (contributory infringement). “Indirect infringement requires, as a predicate, a
22 finding that some party amongst the accused actors has committed the entire act of
23 direct infringement.” *BMC Resources*, 498 F.3d at 1379.

24 11. In two recent cases, *BMC Resources, LP v. Paymentech, Inc.*, 498 F.3d
25 1373, 1378-81 (Fed Cir. 2007) and *Muniauction, Inc. v. Thomson Corp.*, 532 F.3d
26 1318, 1328-30 (Fed. Cir. 2008), *cert. denied*, 129 S.Ct. 1585 (2009), the Federal
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1 Circuit explained the legal standard governing direct infringement when the accused
2 infringer does not itself practice each and every element of an asserted claim.

3 12. In order to address a potential loophole in the requirement that an
4 accused party practice each and every element of a claim (e.g., a situation where
5 multiple parties perform different steps of a patented process), the law allows for
6 direct infringement liability if the accused infringer “directs or controls” a third
7 party’s performance of infringing steps. *BMC Resources* explained that vicarious
8 liability could be imposed on a party in control (“the mastermind”), for example, if
9 it contracted out steps of a patented process to another entity to attempt to avoid
10 infringement. *BMC Resources*, 498 F.3d at 1381.

11 13. *BMC Resources* analyzed divided infringement under § 271(a) with
12 respect to process claims, but not apparatus claims. However, the Federal Circuit
13 did not limit its statutory analysis to method claims, and its general holding applies
14 to apparatus claims as well.²

15 14. *BMC Resources* relied upon *Cross Medical Products v. Medtronic*
16 *Sofamor Danek*, 424 F.3d 1293 (Fed. Cir. 2005), a case that analyzed vicarious
17 liability for direct infringement of an apparatus claim in the same way. *See id.* at
18 1380 (citing *Cross* at 1311-12). In *Cross*, vicarious liability was rejected because
19 the accused infringer did not control a third party that met a limitation of the
20 claimed apparatus that the accused infringer did not itself meet. *See also Emtel, Inc.*
21 *v. Lipidlabs, Inc.* 583 F. Supp. 2d 811, 832 (S.D. Tex. 2008) (“The Federal Circuit’s
22 conclusion in *Cross* that infringement did not occur is significant because in *Cross*,
23 the defendant gave the doctor instructions on aspects of performing a medical
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25 ² Plaintiff, relying on *NTP, Inc. v. Research In Motion, Ltd.*, 418 F.3d 1282 (Fed.
26 Cir. 2005), disagrees. *See* ¶ 21, *infra*.

1 procedure . . . that did not amount to controlling or directing the surgeons in their
2 medical work.”).

3 15. The “direction or control” standard articulated in *BMC Resources* has
4 been applied to system claims. *See, e.g., Golden Hour Data Sys., Inc. v.*
5 *EMSCcharts, Inc.*, 2009 WL 943273 (E.D. Tex. Apr. 3, 2009); *Level 3 Commc’n v.*
6 *Limelight Networks*, 630 F. Supp. 2d 654, 658-60 (E.D. Va. 2009).

7 16. “[F]or liability to attach, the ‘mastermind’ must so control the third
8 party *in its performance of the infringing steps* that the third party does so as the
9 defendant’s agent. The degree of control must be such that the defendant could be
10 vicariously liable for the third party’s performance.” *Emtel*, 583 F. Supp. 2d at 839.

11 17. A party cannot be subject to vicarious liability for the acts of another
12 unless it is the “mastermind” controlling or directing the completion of the entire
13 process such that each step in an asserted claim is attributable to it. *Muniauction*,
14 532 F.3d at 1329-30 (“That Thomson controls access to its system and instructs
15 bidders on its use is not sufficient to incur liability for direct infringement.”). Thus,
16 an element-by-element analysis of the asserted claims is appropriate. *Rowe Int’l*
17 *Corp. v. Ecast, Inc.*, 586 F. Supp. 2d 924, 932 (N.D. Ill. 2008) (“[T]he test under
18 *BMC Resources* is whether one party effectively controls or directs others such that
19 it can be said to practice *every element* of the asserted claims.” (emphasis added)).

20 18. Relying on the Federal Circuit’s opinions in *BMC Resources* and
21 *Muniauction*, and district court decisions, DirecTV asserts “Courts routinely hold
22 that an accused infringer is not liable where it does not direct or control each and
23 every element of an asserted claim.” Def.’s Revised Proposed Statement of
24 Uncontroverted Facts and Conclusions of Law at ¶ 21. However, this is incomplete.
25 The discussion of vicarious liability for direct infringement in *BMC Resources* is in
26 the context of joint infringement, that is, when the accused infringing party
27 attempts to “escape infringement by having a third party carry out one or more of
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1 the claimed steps on its behalf.” *BMC Resources*, 498 F.3d at 1379. Rather than
2 controlling each and every element of an asserted claim, a party may be liable for
3 direct infringement when it performs some of the steps of a claim itself and “ha[s]
4 someone else carry out one or more of the claimed steps on its behalf.” *Id.*

5 19. Accordingly, DirecTV can not be liable for direct infringement of an
6 asserted claim if the evidence demonstrates that DirecTV neither performs by itself
7 nor directs nor controls a third party’s performance of any one element of the claim.

8 20. In *Ronald A. Katz Technology Licensing, L.P. v. The DirecTV Group, Inc., et al.*,
9 Case No. 07-CV-2322-RGK (C.D. Cal. May 1, 2009), Katz alleged that
10 certain DirecTV customer call center services infringed several of its patents.³ It
11 was undisputed that a third party provided at least a portion of each of the accused
12 services. *Id.* at 3. DirecTV moved for summary judgment of non-infringement
13 (among other grounds), arguing it could not directly infringe the patents because it
14 did not direct and control the third party’s performance of the accused infringing
15 technology. Summary judgment was denied on the ground that the parties did not
16 brief the key issue of whether DirecTV directed or controlled each element of the
17 asserted claims. *Id.* at 15.

18 21. Phoenix cites *NTP, Inc. v. Research In Motion, Ltd.*, 418 F.3d 1282,
19 1317 (Fed. Cir. 2005), for the proposition that liability for an infringing use under §
20 271(a) occurs when a party “put[s] into service any given invention.” Pl.’s Opp’n at
21 3. However, *NTP* did not rule on the direct infringement issue presented in this
22 case, i.e., whether a party is liable for direct infringement when a third party directs
23 or controls the allegedly infringing technology. *NTP* did not analyze “joint”
24 infringement, rather, *NTP*’s holding was limited to the issue of whether a party
25 “uses” a claimed system or method within the United States when one element of
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1 the claimed system or method is abroad. *Id.* at 1316-18. Later, in *BMC Resources*,
2 the Federal Circuit analyzed the kind of “joint” infringement issue that DirecTV’s
3 motion presents.

4 22. Phoenix argues that DirecTV has “broad use of the system” and
5 “placed the system into service,” and thereby “‘uses’ the infringing system under
6 271(a)” even though “a third party performs some of the limitations.” Pl.’s Opp’n
7 at 9. Although the definition of “use” set forth in *NTP* that Phoenix relies on is
8 broad, a defendant’s use must be correlated to the claim elements. *See e.g.*,
9 *EpicRealm Licensing, LP v. Franklin Covey Co.*, 2008 WL 4965943, at *12 (E.D.
10 Tex. Nov. 17, 2008) (“*EpicRealm II*”) (“Not only is ‘use’ required in the context of
11 ‘use’ direct infringement, but courts also require the alleged infringer to use the
12 allegedly infringing aspects of the *accused system*.”).

13 23. Further, in the joint infringement context, the accused direct infringer
14 must be shown to direct and control the elements of the accused infringing claims.
15 *See id.* (The “decision in *epicRealm [I]*, in conjunction with the Federal Circuit’s
16 decision in *NTP*, ‘requires courts to determine which party exercises control and
17 derives beneficial use of the allegedly infringing aspects of the accused system.’”
18 (citing *epicRealm, Licensing, LLC v. Autoflex Leasing, Inc.*, 492 F. Supp. 2d 608
19 (E.D. Tex. 2007) (“*epicRealm I*”))).

20 24. Phoenix’s asserted claims are analogous to the patent claims at issue in
21 *EpicRealm II*. Phoenix’s claims do not cover an entire IVR system. Instead,
22 Phoenix’s claims cover particular parts of such a system (e.g., a “speech processing
23 system,” a “speech query recognition system,” a “system for performing recognition
24 of a speech utterance,” and a “speech-enabled internet website”). Phoenix’s
25 asserted claims purport to cover certain narrow aspects of a larger IVR system. But

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27 ³ The patents and technology at issue in *Katz* are distinct from those in this case.

1 West and/or its vendors, not DirecTV, controls the allegedly infringing elements.
2 Like the third party in *EpicRealm*, West decides whether to include the allegedly
3 infringing elements in the IVR system. And West's customer DirecTV does not
4 control those details of West's work. As a result, DirecTV cannot be held
5 responsible as a direct infringer for the design decisions that West makes.
6 *EpicRealm II*, 2008 WL 4965943, at *13; *Golden Hour*, 2009 WL 943273, at *3-4.
7 *See also Renhcol Inc. v. Don Best Sports*, 548 F. Supp. 2d 356, 363 (E.D. Tex.
8 2008) (“[T]he person who uses a device that allegedly infringes a claimed invention
9 depends on who controls the allegedly infringing characteristics of the accused
10 device. . . .” A court must “determine which party exercises control and derives
11 beneficial use of the allegedly infringing aspects of the accused system.”).

12 25. DirecTV does not “put the system as a whole into service,” as Phoenix
13 argues. Phoenix reasons that DirecTV put the system into service because
14 (1) DirecTV owns the telephone number required to access the system, (2) the
15 system is designed to serve DirecTV's customers, (3) the system accesses
16 DirecTV's backend accounting system for customer data and movie titles, and
17 (4) DirecTV owns a website. Pl.'s Opp'n at 5-6. But even if such facts were true,
18 as a matter of law they are unrelated to putting the *claimed* technology into service.
19 DirecTV does not control any of the hardware or software associated with West's
20 accused platform or claimed in Phoenix's patents and thus cannot put the claimed
21 invention into service.

22 26. Without evidence that The DirecTV Group, DirecTV, Inc., or any other
23 DirecTV entity (collectively, “DirecTV”) directs and controls West for even a
24 single claim element, summary judgment as to that claim is appropriate.

25 27. Phoenix has not provided any evidence that DirecTV directs or
26 controls West with respect to the elements of the asserted claims. There is no
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1 genuine issue of material fact as to whether DirecTV directs or controls West in its
2 alleged operation of each and every element of Phoenix claims – it does not.

3 28. DirecTV does not direct or control (i.e., is not the “mastermind”
4 behind) at least the following elements of the ‘172 Patent asserted claims that
5 Phoenix attempts to apply to aspects of the Accused Technology:

- 6 • Continuous speech recognition engine;
- 7 • Natural language engine;
- 8 • Query formulation engine;
- 9 • Structured query suitable for locating matches;
- 10 • First linguistic analysis used to identify a candidate set of potential
11 matches;
- 12 • One or more second linguistic analyses; and
- 13 • Comparing the first and second linguistic analyses to arrive at a best
14 match.

15 Ex. A, 38:45-67. Each of the above-listed claim elements relates to the architectural
16 design, hardware, and/or speech recognition software. DirecTV is not involved in
17 any of the decisions about whether or how to deploy any of the above claim
18 elements alleged to be in the Accused Technology. Uhlenkamp Decl., ¶¶ 5-8; West
19 Decl., ¶¶ 6-10.

20 29. DirecTV does not direct or control (i.e., is not the “mastermind”
21 behind) at least the following elements of the ‘125 Patent asserted claims that
22 Phoenix attempts to apply to aspects of the Accused Technology:

- 23 • Distributed speech processing system;
- 24 • Training one or more speech recognition models;
- 25 • Speech recognition process optimized for a geographic region; and
- 26 • Configuring speech recognition operations...based on computing
27 resources available to such system.

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1 Ex. B, 38:65-39:24. Each of the above-listed claim elements relates to the
2 architectural design, hardware, and/or speech recognition software. DirecTV is not
3 involved in any of the decisions about whether or how to deploy any of the above
4 claim elements alleged to be in the Accused Technology. Uhlenkamp Decl., ¶¶ 5-8;
5 West Decl., ¶¶ 6-10.

6 30. DirecTV does not direct or control (i.e., is not the “mastermind”
7 behind) at least the following elements of the ‘714 Patent asserted claims that
8 Phoenix attempts to apply to aspects of the Accused Technology:

- 9 • Performing recognition of a speech utterance;
- 10 • Evaluating an amount of computing resources available at the network
11 server system for performing speech recognition operations;
- 12 • Specifying a first set of speech recognition operations to be performed
13 by the network server system in response to the amount of computing
14 resources available at the network server system for performing speech
15 recognition operations;
- 16 • Receiving first speech data being associated with a partial recognition
17 of the speech utterance completed by a client device; and
- 18 • Completing recognition of the speech utterance.

19 Ex. C, 39:1-17. Each of the above-listed claim elements relates to the architectural
20 design, hardware, and/or speech recognition software. DirecTV is not involved in
21 any of the decisions about whether or how to deploy any of the above claim
22 elements alleged to be in the Accused Technology. Uhlenkamp Decl., ¶¶ 5-8; West
23 Decl., ¶¶ 6-10.

24 31. DirecTV does not direct or control (i.e., is not the “mastermind”
25 behind) at least the following elements of the ‘977 asserted claims that Phoenix
26 attempts to apply to aspects of the Accused Technology:

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- 1 • Speech-enabled internet website;⁴
- 2 • A receiving routine executing on the server computing system;
- 3 • A speech recognition routine;
- 4 • A web page having a list of items selectable by a user based on a
- 5 recognized speech query;
- 6 • Signal processing functions can be allocated between a client and a
- 7 server; and
- 8 • Allocating of functions between a client platform and server as
- 9 needed based on computing resources available.

10 (Ex. D, 38:66-39:19) Each of the above-listed claim elements relates to the
11 architectural design, hardware, and/or speech recognition software. DirecTV is not
12 involved in any of the decisions about whether or how to deploy any of the above
13 claim elements alleged to be in the Accused Technology. (Uhlenkamp Decl., ¶¶ 5-
14 8; West Decl., ¶¶ 6-10).

15 32. DirecTV is not liable for an infringing “use” of the asserted claims
16 because it does not exercise the requisite direction or control over the way that West
17 and its vendors configure and operate the Accused Technology.

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20 ⁴ Phoenix moved for summary judgment of infringement of claim 1 of U.S.
21 Patent No. 7,050,977. The Court notes that this claim is to a “speech-enabled
22 internet website” and DirecTV does not have a website that is speech-enabled.
23 Facts ¶ 45, *supra*.

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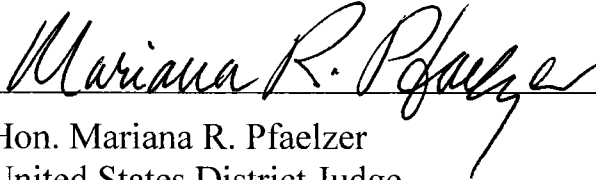
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1 The Court adopts the foregoing Uncontroverted Facts and Conclusions of
2 Law.

3 IT IS SO ORDERED.

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5 Dated: November 23, 2009


Hon. Mariana R. Pfaelzer
United States District Judge

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